98th Congress
2d Session

COMMITTEE PRINT

S. PRT.
98-270

RESPONSES TO REQUEST FOR COMMENTS ON MISCELLANEOUS TARIFF BILLS

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

AUGUST 1984

U.S. GOVERNMENT PRINTING OFFICE
41-171 O
WASHINGTON : 1985

COMMITTEE ON FINANCE

ROBERT J. DOLE, Kansas, *Chairman*

BOB PACKWOOD, Oregon
WILLIAM V. ROTH, Jr., Delaware
JOHN C. DANFORTH, Missouri
JOHN H. CHAFEE, Rhode Island
JOHN HEINZ, Pennsylvania
MALCOLM WALLOP, Wyoming
DAVID DURENBERGER, Minnesota
WILLIAM L. ARMSTRONG, Colorado
STEVEN D. SYMMS, Idaho
CHARLES E. GRASSLEY, Iowa

RUSSELL B. LONG, Louisiana
LLOYD BENTSEN, Texas
SPARK M. MATSUNAGA, Hawaii
DANIEL PATRICK MOYNIHAN, New York
MAX BAUCUS, Montana
DAVID L. BOREN, Oklahoma
BILL BRADLEY, New Jersey
GEORGE J. MITCHELL, Maine
DAVID PRYOR, Arkansas

RODERICK A. DEARMENT, *Chief Counsel and Staff Director*
MICHAEL STERN, *Minority Staff Director*

SUBCOMMITTEE ON INTERNATIONAL TRADE

JOHN C. DANFORTH, Missouri, *Chairman*

WILLIAM V. ROTH, Jr., Delaware
JOHN H. CHAFEE, Rhode Island
JOHN HEINZ, Pennsylvania
MALCOLM WALLOP, Wyoming
WILLIAM L. ARMSTRONG, Colorado
CHARLES E. GRASSLEY, Iowa
STEVEN D. SYMMS, Idaho

LLOYD BENTSEN, Texas
SPARK M. MATSUNAGA, Hawaii
DAVID L. BOREN, Oklahoma
BILL BRADLEY, New Jersey
GEORGE J. MITCHELL, Maine
DANIEL PATRICK MOYNIHAN, New York
MAX BAUCUS, Montana

CONTENTS

MISCELLANEOUS TARIFF BILLS

Page

Press release 1

S. 1954:

  International Association of Geophysical Contractors (IAGC) 5
  Offshore Navigation, Inc 8
S. 2010: Prepared statement of Senator Paul E. Tsongas 18

S. 2022:

  American Retreaders' Association 19
  BF Goodrich Co 27
  Goodyear Tire and Rubber Co 28
  Prochimie International Inc 30
  Rubber Manufacturers Association 37
  Uniroyal Inc. Tire Division 45
  Independent Zinc Alloyers Association, Inc 46
  Lead-Zinc Producers Committee 58
  Braun, J.F., and Sons, Inc 68
  Henkel Corp 68
  Springtree Corp 68
  Thomas, P.L., and Co 68
  U.S. Council for an Open World Economy 73

S. 2288:

  American Iron and Steel Institute 75
  Michigan Knife Co 78
  Simonds Cutting Tools 100
S. 2293: Kalamazoo College, Kalamazoo, MI 101

S. 2317:

  Calgon Corp 110
  Ruetgers-Nease Chemical Co., Inc 111
S. 2340: Commodity Exchange, Inc. (COMEX) 118
S. 2426 and S. 2427: Rohm and Haas Co 121

S. 2429:

  Associated Oregon Hazelnut Industries, Inc 144
  Association of Food Industries, Inc 154
  Entenmann's, Inc 156
  Public Voice 159
  U.S. Council for an Open World Economy 73
S. 2439: American Cyanamid Co 160

S. 2440:

  Sherwin-Williams Co 162
  American Cyanamid Co 160

S. 2441:

  National Starch and Chemical Corp 167
  American Cyanamid Co 160
S. 2474: Calsak Corp 168

S. 2479:

  Beaumont Oil, Inc 174
  Louisiana Land and Exploration Co 179

S. 2493:

  Pfizer, Inc 184
  Tartaric Chemicals Corp 184

S. 2542:

  Mossberg Industries, Inc 193
  Northern Textile Association 194
  Wyomissing Corp 197

Page

S. 2613:
- Jantzen Inc 198
- National Knitwear & Sportswear Association 199

S. 2618: American Association of Exporters & Importers 203

S. 2642: Molycorp, Inc 204

S. 2680:
- Amalgamated Clothing & Textile Workers Union AFL-CIO, CLC 207
- American Cordage & Twine Manufacturers Group (ACTM) 211
- American Federation of Labor and Congress of Industrial Organizations 222
- American Fiber/Textile/Apparel Coalition (AFTAC) 223
- American Netting Manufacturers Organization (ANMO) 233
- Blue Mountain Industries 234
- Cavnar-Johnson Cordage Co., Inc 235
- Fibres South, Inc 236
- Lauren R. Howard for domestic industries 237
- Leather Products Coalition 238
- Mid-Lakes Manufacturing Co 249
- Wald Manufacturing Co., Inc 250

S. 2712:
- Amalgamated Clothing & Textile Workers Union AFL-CIO, CLC 255
- Neckwear Association of America 256
- Retail Industry Trade Action Coalition 265
- U.S. Council for an Open World Economy 73

S. 2739: Rogers Corp 266

S. 2787: Mobay Chemical Corp 268

S. 2809:
- Dakota Lay'd Eggs 271
- American Farm Bureau Federation 273
- Hagedorn-Cando, Inc 275
- Monark Egg Corp 277
- National Grange 279
- Peco Foods, Inc 282
- United Egg Producers, Michael R. McLeod, counsel 283
- United Egg Producers, July 20, 1984 289
- United Egg Producers, July 25, 1984 312

S. 2827:
- Dow Corning Corp 318
- General Electric Co 323
- Mobay Chemical Corp 328

S. 2838: Northern Textile Association 350

S. 2839:
- Amalgamated Clothing & Textile Workers Union AFL-CIO, CLC 255
- American Fiber/Textile/Apparel Coalition (AFTAC) 355

Miscellaneous bills, S. 2054, S. 2055, S. 2056, S. 2172, S. 2197, S. 2198, S. 2332, S. 2333, S. 2334, Merrell Dow Pharmaceuticals 360

H.R. 4784: Blue Circle Arizona, Inc 363

Request for legislation to reclassify snap blade knives, American Brush Co., Inc 365

S. 2845:
- Automobile Importers of America, Inc. (AIA) 402
- Lukens Steel Co 405
- Retail Industry Trade Action Coalition 410
- Volume Footwear Retailers of America (VFRA) 423
- Volume Shoe Corp 433

S. 2845 and S. 2952: Man-Made Fiber Producers Association (MMFPA) 437

S. 2952: American Iron & Steel Institute (AISI) 440

S. 2952 and S. 2963: Metalworking Fair Trade Coalition (MFTC) 444

S. 2845, S. 2952, and S. 2963:
- American Textile Machinery Association (ATMA) 468
- American Yarn Spinners Association, Inc. (AYSA) 478
- Bicycle Manufacturers Association of America, Inc. (BMA) 481
- Copper & Brass Fabricators Council, Inc 494
- Footwear Industries of America, Inc. (FIA) 501
- Group of 33 (Ad Hoc Labor-Industry Trade Coalition) 525
- Outdoor Power Equipment Institute, Inc. (OPEI) 531
- Specialty Steel Industry of the United States 546
- Tanners' Council of America, Inc. (TCA) 558
- Trade Reform Action Coalition (TRAC) 569
- Valve Manufacturers Association (VMA) 607

Press Release No. 84-154

PRESS RELEASE

FOR IMMEDIATE RELEASE
July 5, 1984

UNITED STATES SENATE
Subcommittee on International Trade
SD-219 Dirksen Senate Office Building

SUBCOMMITTEE ON INTERNATIONAL TRADE SEEKS COMMENTS ON MISCELLANEOUS TARIFF BILLS

Senator John C. Danforth (R., Mo.), Chairman of the Subcommittee on International Trade, today announced that the Subcommittee is seeking written comments on the following miscellaneous tariff bills.

1. S. 1954.--A bill to apply duty-free treatment with respect to articles exported for purposes of rendering certain geophysical or contracting services abroad, and later returned.

2. S. 2010.--A bill to amend subpart E of part 3 of schedule 6 of the Tariff Schedules of the United States to establish a new item with lower rates of duty for certain knives having movable blades.

3. S. 2022.--A bill to suspend temporarily the duty on diphenyl guanidine and di-ortho-tolyl guanidine.

4. S. 2054.--A bill to suspend for a 3-year period the duty on hydarazone, 3- (4-methylpiperazinyliminomethyl) rifamycin SV (an antibiotic known as rifampin).

5. S. 2055.--A bill to suspend for a 3-year period the duty on 5H-Dibenz (b,f,)azepine-5-propanamine, 10, 11-dihydro-N-methyl-, monohydrochloride (a tricyclic antidepressant known as desipramine hydrochloride).

6. S. 2056.--A bill to suspend for a 3-year period the duty on 3-(Hydroxydiphenylacetyl)oxy)-1,1-dimethyl piperidinium bromide (a drug known as mepenzolate bromide).

7. S. 2092.--A bill to continue until the close of June 30, 1989, the existing suspension of duties on certain forms of zinc.

8. S. 2156.--A bill to repeal the existing suspension of duty on carob flour.

9. S. 2172.--A bill to suspend for a 3-year period the duty on Clomiphene citrate.

10. S. 2197.--A bill to suspend for a 3-year period the duty on Terfenadine.

11. S. 2198.--A bill to suspend for a 3-year period the duty on Dicyclomine hydrochloride.

12. S. 2288.--A bill to extend duty-free treatment to imports of chipper knife steel.

13. S. 2293.--A bill to provide for the free entry of a ring of eight bells for the use of Kalamazoo College, Kalamazoo, Mich.

14. S. 2317.--A bill to suspend for 3 years the duty on crude 8+5 hydroxyquinolines.

15. S. 2332.--A bill to suspend for a 3-year perod the duty on lactulose (4-0-beta-D-Galactophyranosyl-D-fructose).

16. S. 2333.--A bill to suspend for a 3-year period the duty on an iron-dextran complex.

17. S. 2334.--A bill to suspend for a 3-year period the duty on nicotine resin complex.

18. S. 2340.--A bill to increase the duty on imported copper by an amount which offsets the cost incurred by copper producers in the United States in meeting domestic environmental requirements.

19. S. 2426.--A bill to provide for the temporary suspension of the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate.

20. S. 2427.--A bill to provide for the temporary suspension of the duty on mixtures of potassium 1-(p-chlorophenyl)-1, 4-dihydro-6-methyl-4-oxophridazine-3-carboxylate ("Fenridazine-potassium") and formulation adjuvants.

21. S. 2428.--A bill relating to classification of imported steel tubes used in lampposts, resulting in a column 1 duty rate of 19 percent ad valorem and a column 2 rate of 45 percent ad valorem.

22. S. 2429.--A bill to amend the Tariff Schedules of the United States to increase the duty on certain shelled filberts.

23. S. 2439.--A bill to suspend the duty on certain surface active agents until the close of June 30, 1986. The agents are: sodium isobutyl xanthate, sodium xanthate, sodium isopropyl xanthate, and potassium amyl xanthate.

24. S. 2440.--A bill to suspend the duty on certain benzoid chemicals until the close of June 30, 1986. The chemicals are: para-ethylphenol; trichlorosalicylic acid; m-amino-phenol; 6-amino-1-naphthol-3-sulfonic acid; and, 4-acetaminobenzenesulfonyl chloride.

25. S. 2441.--A bill to suspend the duty on certain nitrogenous chemical compounds until the close of June 30, 1986. The compounds are methyl carbamate and 2-aminodiazine.

26. S. 2474.--A bill to amend the Tariff Schedules of the United States with respect to the tariff treatment accorded to film, strips and sheets of acrylic plastic materials. The effect of the proposed definition would be to reclassify many imported articles of varying thicknesses in TSUS item 771.45, covering products of acrylic resin.

27. S. S. 2479.--A bill to amend the Tariff Schedules of the United States to clarify the classification of any naphtha described as both a petroleum product and a benzenoid chemical. The effect would be to provide the same tariff treatment to naphthas described as benzenoid

chemicals as that provided naphthas described as petroleum products.

28. S. 2493.--A bill to extend for 4 years the temporary suspension of duty on tartaric acid and certain tartaric chemicals. The chemicals are potassium salts, cream of tartar and sodium tartrate (Rochelle salts).

29. S. 2542.--A bill to suspend until July 1, 1987, the duty on lace-braiding machines and parts thereof.

30. S. 2596.--A bill to extend duty-free treatment to scrolls or tablets imported for use in religious observances.

31. S. 2613.--A bill to suspend the duties on circular knitting machines designed for sweater or garment length knitting until the close of December 31, 1989.

32. S. 2642.--A bill to suspend until July 1, 1989, the duty on yttrium bearing ores, materials, and compounds containing by weight more than 19 per centum but less than 85 per centum yttrium oxide equivalent.

33. S. 2680.--A bill to provide the President with authority to accelerate certain staged rate modifications to the Tariff Schedules of the United States.

34. S. 2712.--A bill to return the ad valorem and specific duties on necktie imports to the levels in effect as of January 1, 1981, for a period of 5 years.

35. S. 2739.--A bill to extend for two additional years the suspension of duty on uncompounded allyl resins.

36. S. 2787.--A bill to suspend for a 3-year period the duty on o-Benzyl-p-Chlorophenol.

37. S. 2809.--A bill to decrease the tariff on certain Canadian egg yolks.

38. S. 2827.--A bill relating to the tariff classification of certain silicone resins and materials.

39. S. 2838.--A bill to suspend until July 1, 1987, the duty on narrow fabric looms.

40. S. 2839.--A bill to amend the tariff classification of certain articles of wearing apparel.

Press Release No. 84-166

PRESS RELEASE

FOR IMMEDIATE RELEASE
August 14, 1984

UNITED STATES SENATE
COMMITTEE ON FINANCE
Subcommittee on International Trade
SD-219 Dirksen Senate Office Building

SUBCOMMITTEE ON INTERNATIONAL TRADE REQUESTS COMMENTS ON TRADE BILLS

Senator John C. Danforth (R., MO), Chairman of the Subcommittee on International Trade, announced today that the Subcommittee was seeking public comment on three trade bills, S. 2845, S. 2952, and S. 2963.

S. 2845, introduced by Senator Danforth, would amend title II of the Trade Act of 1974 to clarify the scope of determinations made by the International Trade Commission with regard to petitions for temporary import relief initiated under the authority of that title.

S. 2952, introduced by Senator Heinz, and S. 2963, introduced by Senator Cohen, both would amend title VII of the Tariff Act of 1930 to make numerous, although different, changes in the operation of the antidumping and countervailing duty laws. S. 2963 would also amend that act to establish a Trade Remedy Assistance Office in the Department of Commerce.

LAW OFFICES
COTTEN, DAY & DOYLE
TWELFTH FLOOR
1899 L STREET, NORTHWEST
WASHINGTON, D. C. 20036
(202) 659-9505

JAMES M. DAY
BEN COTTEN
GERARD F. DOYLE
MARK N. SAVIT
WILLIAM F. TUERK
BRUCE A. McDONALD
JAMES D. BACHMAN
GAIL LINDSAY SIMMONS

RICHARD W. BLISS
J. LITTLETON GLOVER, JR
JOHN M. STUCKEY
OF COUNSEL

July 20, 1984

The Honorable John C. Danforth
Chairman
Subcommittee on International Trade
United States Senate
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

Re: S. 1954

Dear Mr. Chairman:

The International Association of Geophysical Contractors ("IAGC"), through undersigned counsel, is pleased to respond to your recent request for written comments on a series of "miscellaneous tariff bills". IAGC supports passage of one of the bills listed in your press release: S. 1954, introduced by the Honorable J. Bennett Johnston on October 18, 1983. We respectfully request that the Subcommittee report the bill with its recommendation of passage by the Senate.

IAGC is a trade association which represents the interests of over 250 entities (and virtually 100% of U.S. companies) engaged in the scientific activity of exploring the earth's subsurface through geophysical operations. Included in IAGC's membership is every major U.S. company which engages in marine seismic operations. These companies conduct geophysical studies from aboard surface vessels, usually outside the territorial limits of the United States.

As the tariff laws are presently constituted, seismic ships which utilize certain foreign-produced equipment are required to pay duty on such equipment each time U.S. waters are re-entered from high seas exploration sites. Multiple applications of duty place U.S. based geophysical contractors at a competitive disadvantage relative to foreign operators who are not subject to repeated tariff outlays. One of two results occurs: either U.S. companies are non-competitive in bidding for contract work due to tariff-induced cost disadvantages; or, their profits are "squeezed" at a time of a general industry-wide downturn. Either result places U.S. geophysical contractors, who are world leaders from a technical standpoint, in an untenable financial position.

S. 1954 proposes to rectify this tariff-induced competitive disadvantage by exempting certain equipment from the reimposition of duty each time it enters the U.S. It merits emphasis that the bill does not propose to exempt such equipment from the tariff schedules at the time of initial importation to the U.S. The relief proposed in Senator Johnston's bill would appear to be the only means available to achieve competitive parity.

In many cases, foreign-produced equipment which is subject to the tariffs at issue is available from only a single source worldwide. Such equipment is often so highly specialized that the worldwide purchasing market is exceedingly narrow and small. Thus, entry by U.S. firms into the production of competing equipment may not be cost justified, potential manufacturer's technical capability notwithstanding. Consequently, U.S. based geophysical contractors often find themselves in a position of having no opportunity to redirect their purchasing funds to U.S. manufacturers in order to offset the competitive disadvantage experienced as a result of the repeated imposition of duty. In short, U.S. companies are often forced to purchase certain equipment from overseas sources to maintain technical competitiveness: but the repeated imposition of duty causes them to lose the competitive "edge".

In view of the foregoing considerations, the proposed legislation would appear to merit the Subcommittee's favorable consideration. IAGC respectfully requests your support, and expresses its appreciation for the opportunity to comment.

Respectfully submitted,

William F. Tuerk
Counsel to
International Association of
Geophysical Contractors

WFT:dli

cc: Mr. Charles F. Darden
President
International Association of
Geophysical Contractors
5335 West 48th Avenue
Suite 400
Denver, Colorado 80212

LAW OFFICES
KELLER AND HECKMAN
1150 17TH STREET, N.W.
SUITE 1000
WASHINGTON, D.C. 20036
(202) 457-1100

JOSEPH E. KELLER
JEROME H. HECKMAN
CHARLES M. MEEHAN
WILLIAM H. BORGHESANI, JR.
MALCOLM D. MACARTHUR
WAYNE V. BLACK
MARTIN W. BERCOVICI
JOHN S. ELDRED
CAROLE C. HARRIS
MICHAEL F. MORRONE
LARRY B. SOLOMON
JOHN B. DUBECK
CHRISTINE A. MEAGHER
SHIRLEY S. FUJIMOTO

MARK FOX EVENS
PETER L. DE LA CRUZ
LAWRENCE P. HALPRIN
DEBORAH SHUR TRINKER
C. DOUGLAS JARRETT
EDWARD L. KORWEK
PETER A. SUSSER
SHEILA A. MILLAR
RUSSELL H. FOX
LEE H. WEINER
TIMOTHY BROWN
ILENE RINGEL HELLER
ELLEN F. EPSTEIN

TELEX
49 6655I

TELECOPIER
(202) 296 7682

CABLE ADDRESS KELMAN

WRITER'S DIRECT DIAL NUMBER
202/457-1144

August 17, 1984

Roderick A. DeArment, Esq.
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Bldg.
Washington, D.C. 20510

Re: S.1954

Dear Mr. DeArment:

Enclosed, please find a statement in support of S.1954 concerning duty-free reimportation of articles exported for purposes of rendering geophysical or contracting services abroad.

We appreciate the consideration being given by the Committee to this measure. Should there be any questions or desire for further information concerning the enclosed statement, please feel free to communicate with the undersigned.

Very truly yours,

Martin W. Bercovici

Martin W. Bercovici

Enclosure

cc: Sen. J. Bennett Johnston,
Attn: Daryl Owen (w/encl.)

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

COMMITTEE ON FINANCE

UNITED STATES SENATE

DUTY-FREE REENTRY OF ARTICLES USED IN THE RENDITION OF GEOPHYSICAL OR CONTRACTING SERVICES IN CONNECTION WITH THE EXPLORATION FOR, OR EXTRACTION OR DEVELOPMENT OF, NATURAL RESOURCES

S.1954

Statement Of:

George A. Roussel
Vice President, General Manager
Offshore Navigation, Inc.
5728 Jefferson Highway
New Orleans, Louisiana 70123
(504)733-6790

Of Counsel:

Martin W. Bercovici, Esq.
KELLER AND HECKMAN
1150 Seventeenth St., N.W.
Suite 1000
Washington, D.C. 20036
(202) 457-1144

August 15, 1984

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I very much appreciate the opportunity to present this statement on behalf of Offshore Navigation, Inc. in support of S.1954 which looks toward allowing duty-free reentry of equipment utilized in the rendition of geophysical or contracting services in connection with the exploration for, or extraction or development of, natural resources.

Offshore Navigation, Inc. ("ONI") renders highly specialized engineering services to the offshore petroleum industry. Specifically, ONI provides precise positioning for the movement of vessels and platforms utilized in surveying and developing offshore tracts and in the production of gas and oil. Our services also are used for many other purposes, including calibration of the navigational systems aboard the atomic and nuclear submarine fleet, photomapping, dredging, underwater pipelaying, and similar operations where precise positioning or position information is required. In terms of precision, and repeatability, we have the capability of achieving accuracies within 20 feet at ranges of more than 100 miles from shore on an around-the-clock basis.

ONI operates worldwide. We have provided radiopositioning service in more than 100 countries throughout the world. Our headquarters is located in Harahan, Louisiana, outside of New Orleans, at which we maintain both our corporate offices and our prime operational base from which we service and supply our worldwide operations. In providing precise positioning services to the offshore petroleum industry and other customers, we utilize a variety of electronic aides. Most equipment is of American manufacture; and we, ourselves, have developed a new system capable of maintaining precise position control at ranges in the vicinity of 300 miles from shore on an around-the-clock basis.

Included in our inventory is equipment manufactured abroad. The choice of the particular system or systems to be utilized on an individual job is based on the requirements of the job and the performance of the equipment. Also, many customers specify the system to be used in particular operations; and the level of acceptance of any particular system varies among the clients. Each radiopositioning system has particular strengths and weaknesses, and the foreign manufactured equipment is utilized because it has certain performance capabilities not found in equipment of domestic manufacture.

As a service contractor operating both domestically and abroad, and using the same inventory of equipment for domestic and foreign operations, we are faced with the requirement of paying duty on our foreign manufactured equipment each and every time we return that equipment to Harahan after completion of a job abroad. Although duty was paid upon the initial importation of the equipment, either by ourselves directly or by the importer when we purchase through a U.S. distributor, duty again is payable on each and every subsequent importation.1/ At the 7.5% rate of duty applicable to much of our electronics, and with system costs reaching $250,000, the duty payable in conjunction with foreign use of certain systems may amount to almost $19,000 each time we return a system after use abroad.

The rendition of positioning service to the offshore petroleum industry is highly competitive. Major

---

1/ The headnote to Schedule 8, Special Classification Provisions, Part 1 -- Articles Exported and Returned, Headnotes, Tariff Schedules of the United States, 19 U.S.C. § 1202, provides, as follows:

> 1. In the absence of a specific provision to the contrary, the tariff status of an article is not affected by the fact it was previously imported into the customs territory of the United States and cleared through Customs whether or not duty was paid upon such previous importation.

foreign operators include Prakla, the Companie Generale de Geophysique (CGG), and Racal-Decca Survey Systems. Competition with these firms, each of which is a subsidiary of a major European-based corporation having substantial financial resources, and with a variety of smaller foreign companies, is quite intense. These companies enjoy some cost advantage by virtue of their location closer to the operating areas of the North Sea, the Middle East and Africa; and where the use of a foreign manufactured positioning system is most appropriate to the job, our foreign competitors enjoy a significant cost advantage by virtue that we are liable for the payment of duty on the return of the equipment to the United States after job completion.

Precise positioning is only one of many contract services utilized in oil and gas exploration and development. We are aware that many service companies engaged in operations downstream from our operations experience this same situation.

We recognize the appropriateness of payment of duty on the initial import of foreign goods into the United States; however, we believe it is grossly unfair to require that we pay duty on each and every reimport after a foreign job for which we use foreign manufactured equipment. In no other country of the world do we experience this problem, and our competition is not faced with this cost burden should they choose to use American manufactured equipment in their service operations. It is our understanding that the Tariff Schedules apply in this fashion not to further trade policy but rather as a matter of administrative convenience to the Customs Service.

There are two types of procedures under the Customs law by which we can effect duty-free reimportation. One series of procedures allows restricted entry of our equipment, such as for repair and calibration; however, we cannot use the equipment in our domestic service operations. ONI is not large enough to afford the luxury of separate domestic and foreign inventories of this costly and highly specialized equipment. The other import procedure, recognized by the Customs Service, permits us to have the equipment entered as the "tools of trade" of an employee upon his or her arrival in the United States.2/ This procedure also requires that the employee travel with the equipment, and that the exportation be made in

---

2/ Item 810.20, Tariff Schedules of the United States, 19 U.S.C. § 1202.

the employee's name. While the "tools of trade" procedure allows duty-free reimportation without restriction upon domestic use, it is costly and quite cumbersome because it requires an employee to travel with the equipment, and such travel otherwise is unnecessary since we often operate with foreign-based crews. We believe we should be able to achieve this same result directly and that tariff application should not force us to employ such burdensome and costly procedures.

The amendment introduced by Senator Johnston in S.1954 would allow duty-free reentry of equipment utilized in conjunction with the rendition of geophysical or contracting services in connection with the exploration for or extraction or development of natural resources. Under the tariff, the articles must be imported by or for the account of the person who exported them; and accordingly, duty would have been paid in conjunction with the prior ownership of the equipment in the United States. Additionally, only the exporting party could take advantage of this provision. Duty-free reentry similarly is provided for other articles, under Items 802.10 through 802.40 of the Tariff Schedules of the United States; and certain of those provisions apply, in cases similar to ours, to entities which utilize the exported and returned articles on a temporary basis abroad for commercial purposes.

We believe that appropriate procedures can be devised by the Customs Service to implement this provision. Equipment can be identified by serial number, or otherwise, upon exportation; and the burden of proof for qualification for duty-free reentry would be upon the importing party. We believe these procedures would be no more difficult or cumbersome than "drawback," whereby a party who has paid duty upon an imported article may secure a refund of that duty upon subsequent exportation provided that the article has not been utilized while in the United States. It would appear that these two procedures are almost functionally reciprocal of one another; and whereas the Customs Service administers the drawback provisions currently, it certainly can administer the proposed duty-free reentry provision.

We are not seeking special favors or dispensation from the application of duty. Rather, we believe that payment of duty upon an article once is sufficient to meet the purpose and intent of the Customs law. What we are seeking in supporting this legislation is the removal of an unfair barrier to our ability to compete in the international marketplace which we suffer by virtue of the multiple application of duty.

We appreciate your consideration of this bill and of our views.

Respectfully submitted,

GEORGE A ROUSSEL

STATEMENT OF SENATOR PAUL E. TSONGAS
ON S.2010 -- A BILL TO AMEND THE TARIFF SCHEDULES OF THE UNITED STATES
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE

Mr. Chairman, I want to thank you for your efforts to bring S.2010 before your subcommittee. This bill, filed on behalf of the American Brush Company of Brockton, Massachusetts, is a simple measure to reduce a needless high tariff on snap blade tools.

Snap blade tools -- cutting blades of about three-fourth inches in length which are hand held and are used by artisans, craftsman, and construction workers -- are currently classified as 'knives'. The effect of this bill would be to reclassify them as 'other knives' for purposes of tariff assessment and thereby reduce the tariff from 11.5% ad valorum to 7.5% ad valorum. In addition, this bill provides an automatic annual decrease in the tariff rates through January 1, 1987. The tariff would be reduced to 4.8% in 1987, with a greater decrease, to 3.5% for products from less developed nations.

Initially, this high tariff was imposed to protect American manufacturers, yet only one U.S. company currently assembles snap blade tools (the parts being manufactured in Canada). These domestically-produced tools are and would remain in a lower price and quality range than those imported by American distributors and, thus would not be affected by this measure. It is clear that the current duty levied is not protecting American manufacturers, but hindering American distributors.

Mr. Chairman, S.2010, which has been introduced in the House by Congressman Barney Frank (H.R.5490), would put a measure of equity in this aspect of our tariff assessments. I thank you for your attention to this issue and I would be happy to provide any additional information as necessary.

RETREADING
REPAIRING
American
Retreaders'
Association, Inc.

Mailing Address:
P.O. Box 17203
Louisville, Kentucky 40217

Shipping Address:
4466 Emberson Avenue
Louisville, Kentucky 40209

Phone:
(502) 367-9133

Comments of M. Terry Westhafer
President
American Retreaders' Association
in support of
S. 2022
Submitted to the
Subcommittee on International Trade
of the
Committee on Finance
July 20, 1984

President
Terry Westhafer

Vice President
Tom Sumerel

Secretary-Treasurer
George McDaniel

Directors: Paul Clark, Tubby Hall, Melvin Huber, Joseph Kilcoyne, John Rainey, Austin Redmon, Gene Rosenfeld, Clarence Snow

Managing Director: E.J. Wagner

Comments of M. Terry Westhafer
President
American Retreaders' Association
in support of
S. 2022
Submitted to the
Subcommittee on International Trade
of the
Committee on Finance
July 20, 1984

My name is M. Terry Westhafer, President of the American Retreaders' Association, a national nonprofit trade association representing approximately 1500 independent retreaders located nationwide who are engaged in the retreading of tires, the repairing of tires, and the sale of related products and services.

Mr. Chairman, we submit to you today the following comments in support of S. 2022. We join with our friends the domestic tire manufacturers in support of this bill which would temporarily suspend the column 1 rate of duty for diphenyl guanidine (DPG) and di-ortho-tolyl guanidine (DOTG) classified in item 405.52 of the Tariff Schedules of the United States. These chemicals are used principally as curing accelerators in the production of tires.

Because DPG and DOTG have not been domestically produced since 1981, S. 2022 would enhance the competitive position of the domestic tire industry.

DPG and DOTG had a duty rate of 18 percent ad valorem for 1983 and have a current rate of 17.3 percent ad valorem.

According to a memorandum from the United States International Trade Commission to the Committee on Ways and Means (attached), in 1982 American imports of DPG amounted to 1.6 million pounds while DOTG imports totalled 471,000 pounds. Estimated revenue losses for 1984 are $530,000, for 1985--$520,000, and for 1986--$480,000.

The American Retreaders' Association thus urges prompt consideration and a favorable reporting out of S. 2022, a non-controversial measure of great importance to the domestic tire industry.

RECEIVED
OCT 1 1983
WAYS AND MEANS

September 28, 1983

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE U.S. HOUSE OF REPRESENTATIVES ON H.R. 3445, 98TH CONGRESS, A BILL TO SUSPEND TEMPORARILY THE DUTY ON DIPHENYL GUANIDINE AND DI-ORTHO-TOLYL GUANIDINE

Purpose of the legislation

H.R. 3445, if enacted, would temporarily suspend the column 1 rate of duty 1/ for diphenyl guanidine and di-ortho-tolyl guanidine, classified in item 405.52 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add a new item, 907.09, with free entry for articles from countries entitled to MFN treatment, commencing on the date of enactment and ending on or before June 30, 1987. The column 2 rate of duty 2/ would remain unchanged.

At the present time, these chemicals are not produced in the United States, although they were produced domestically as recently as 1981. Domestic consumers must now rely on imports as their only source. This legislation would temporarily eliminate the duty on these chemicals which increases the manufacturing costs of the end-use products.

1/ The rates of duty in rate of duty column numbered 1 are Most-Favored-Nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment. However, MFN rates would not apply to products of developing countries if preferential tariff treatment is granted under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

2/ The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Description and uses

Diphenyl guanidine and di-ortho-tolyl guanidine are synthetic organic chemicals produced, in part, from benzene and toluene derivatives. Both chemicals are principally used as curing accelerators for synthetic and natural rubbers which are ultimately used in the production of automobile tires and shoe soles. According to industry sources, other competitively-priced accelerators either do not work as well as these two products or have health-related problems (e.g., thioureas) which make their use less desirable.

Tariff treatment

As a result of the Trade Agreements Act of 1979, 1/ these two chemicals are presently classified in TSUS item 405.52 (carboxyimide-function compounds and imine-function compounds). Item 405.52 has a column 1 rate of 18 percent ad valorem and an LDDC rate of duty 2/ of 15 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 61 percent ad valorem. The column 1

1/ Section 223(d), 93 Stat. 205. As a result of the Customs Valuation Agreement of the Multilateral Trade Negotiations (MTN), the "American selling price" (ASP) method of appraising certain benzenoid chemicals was eliminated. The Commission's recommendations, contained in "The Probable Economic Effect of U.S. Adoption of New Rules of Customs Valuation" (Report to the Special Trade Representative on Investigation No. 332-98) formed the basis for the provisions contained in section 223(d). Under the ASP method of appraisement, imported benzenoid products considered to be "competitive" with similar domestic products (accomplishing results substantially equal to those of the domestic products used in substantially the same manner) were appraised on the basis of the U.S. wholesale price of the similar domestic product. Other imported products were appraised based on the "United States value", relying on the wholesale price of the imported products, with such products generally assessed a lower duty than those appraised under ASP.

2/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items and apply to covered products of the least developed developing countries, enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in column numbered 1 applies.

rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round, as follows:

Year	Rate (Cents per pound; percent ad valorem)
1980 1/	1c + 19.1%
1981	0.4c + 19.1%
1982	18.8%
1983	18%
1984	17.3%
1985	16.5%
1986	15.8%
1987	15%

1/ Rate effective on and after July 1, 1980. Prior to July 1, 1980, the rate in effect (the Pre-MTN rate) was 1.7 cents per pound plus 12.5 percent ad valorem.

Item 405.52 is not an eligible article under the Generalized System of Preferences. 1/

Structure of the domestic industry

Currently, these chemicals are not produced in the United States. During 1978-81, American Cyanamid Co. produced these chemicals in New Jersey at its Bound Brook plant. In December 1981, American Cyanamid stopped production of these chemicals because of declining demand and pollution problems at this old plant which would require a considerable investment to correct. American Cyanamid advised Commission staff that they now supply their requirements for this chemical from imports.

1/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, as enacted in title V of the Trade Act of 1974 and implemented by Executive Order No. 11888 of November 24, 1975, applies to merchandise imported on or after January 1, 1976, and is scheduled to remain in effect until January 4, 1985. It provides for duty-free entry of eligible articles imported directly from designated beneficiary developing countries.

Domestic production

During the past five years, domestic production data for these chemicals were reported to the Commission by American Cyanamid; however, these data cannot be published because to do so would reveal confidential business information.

U.S. imports

In 1982, U.S. imports of diphenyl guanidine and di-ortho-tolyl guanidine amounted to 1.6 million pounds and 471,000 pounds, respectively. The majority of these imports were from France and West Germany. Smaller amounts of diphenyl guanidine were also imported from the United Kingdom. Some of the major importers were Prochimie, Mobay Chemical Corp., and Monsanto Co. The Commission staff did not find any imports from column 2 sources.

U.S. imports of these chemicals for the past five years are as follows:

Chemical	1978	1979	1980	1981	1982
	Quantity (1,000 pounds)				
Diphenyl guanidine	42	388	408	1,957	1,547
Di-ortho-tolyl guanidine	1/	115	100	950	471

1/ Not available.

U.S. exports

During 1978-82, industry sources estimate exports of these chemicals were minimal, especially in the last few years. Exact export data are not available as these chemicals are classified in a residual (basket) Schedule B number.

Apparent U.S. consumption

Data for domestic consumption of these chemicals are not available; however, industry sources indicate that domestic consumption in 1982 was essentially the same as imports.

Potential annual loss of revenue

Based on Commission data and information provided by the major domestic importers of these chemicals, the following are estimated revenue losses for a three-year period from 1984 through 1986.

Year	Estimated revenue loss ($1,000)
1984------------------	$530
1985------------------	520
1986------------------	480

Technical comments

The semicolon following "Diphenyl guanidine" in the article description is unnecessary and should be deleted.

BFGoodrich

The BFGoodrich Company
1800 K Street, N.W.
Washington, D.C. 20006
202-872-0570

Robert D. Buehler
Staff Vice President
Government Relations

July 20, 1984

Mr. Roderick A. DeArment
Chief Counsel, Committee on Finance
Room 219
Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. DeArment:

This statement is in support of Senate Bill S. 2022. The bill temporarily suspends duties for diphenyl guanidine and di-ortho-tolyl-guanidine.

These two items are of vital importance to BFGoodrich because they are used to accelerate the curing of rubber made for the production of tires and other rubber products. There are no known direct substitutes for their current use. The last U.S. producer of these two chemicals was American Cyanamid who suspended production in early 1981; therefore, BFGoodrich must rely on imports for these materials. Passage of S. 2022 would eliminate the duty that BFGoodrich must pay, and thereby, enhance our ability to compete with imported products.

We respectfully urge the passage of this bill.

Sincerely,

Robert D. Buehler

Robert D. Buehler
Vice President, Government Relations

RDB/jmh

The Goodyear Tire & Rubber Company

SUITE 800 - 1800 K STREET, NORTHWEST
WASHINGTON, DC 20006

PHONE (202) 872-8500

July 19, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-129
Washington, D.C. 20510

Dear Mr. DeArment,

Enclosed is a statement by the Goodyear Tire and Rubber Co. on [redacted]. Comments were requested by the Subcommittee on International Trade.

If there should be any questions regarding our submission, they can be addressed to me. I can be reached at 872-8500.

Thank you for your assistance in this matter.

Sincerely,

Isabel Hyde

Isabel E. Hyde
Washington Representative

Enclosure

The Goodyear Tire & Rubber Company

SUITE 800 - 1800 K STREET, NORTHWEST
WASHINGTON, DC 20006

PHONE (202) 872-8500

July 18, 1984

This statement, in support of S.2022, is submitted to the Senate Committee on Finance by The Goodyear Tire & Rubber Company. The Goodyear Tire & Rubber Company wishes to go on record in support of S.2022. We believe there are viable reasons to ask for this suspension of duties on diphenyl guanidine (DPG) and di-ortho-tolyl-guanidine (DOTG) classified in item 405.52 of the Tariff Schedule of the United States.

These chemicals are used primarily as curing accelerators in rubber compounding for the manufacture of tires, footwear and other industrial rubber goods. Goodyear is a primary user of DPG and DOTG. Cost savings realized by our vendors would be reflected in the purchase price of these raw materials. Both tire producers and consumers would benefit from the duty suspension. These savings contributions would aid Goodyear to be cost effective in world competition.

DPG and DOTG have not been domestically manufactured since American Cyanamid's decision to exit the market in 1981. American Cyanamid continues to market imported product. Therefore, Goodyear and all other guanadine purchasers must rely on imports for 100% of their DPG and DOTG requirements.

We urge your support and prompt consideration of S.2022.

Prochimie
INTERNATIONAL, INC.

488 MADISON AVENUE, NEW YORK, N.Y. 10022 • 212/688-9240 • TELEX 661928 AMPRO

July 17, 1984

Senator John C. Danforth
Chairman of the Subcommittee on International Trade
Committee on Finance
Room DS 219
Dirksen Senate Office Building
Washington, DC 20510

RE: Miscellaneous tariff bills / S.2022

Dear Senator Danforth:

We are writing in comment and support of S.2022, a bill introduced by Senator Moynihan which would suspend temporarily the duty on diphenyl guanidine (DPG) and di-ortho-tolyl guanidine (DOTG). We also enclose a copy of the Memorandum by the U.S. International Trade Commission to the House Ways & Means Committee on the counterpart H.R. 3445. H.R. 3445 was marked up without opposition by the House sub-committee on June 26th and Congressman Conable, who introduced the House bill, believes it will go to the full Committee by July 31st.

Prochimie is the U.S. sales representative for MLPC (Manufacture Landaise de Produits Chimiques) of France, a major producer of DPG and DOTG in Europe. Since American Cyanamid, the only domestic producer, discontinued their production in 1981, Prochimie has been a major supplier of DPG and DOTG to the industry here.

We wish to bring to your attention the especial urgency of passage during this term of this legislation, since it would be of immediate aid to the U.S. rubber and tire industry. Paramount, of course, is the need to help the tire manufacturers in their efforts to be cost effective in world competition. Indeed both the U.S. tire producers and the consumers will benefit from an early resolution allowing important savings to both. In addition, since there is no longer any U.S. production of these two essential rubber chemicals, DPG and DOTG are both now in short supply in the U.S. We believe duty relief will help to alleviate these shortages.

Therefore since the recovery of this sector of the U.S. economy is important to our total national economic health, and since relief from this unwarranted duty on DPG and DOTG has the support of all segments - the chemical producers, the tire and rubber manufacturers, and the consumers, we do urgently request and support passage of this legislation during this term.

Very truly yours,
PROCHIMIE INTERNATIONAL, INC.

Mary-Ann S. Roston
Vice-President

MAR/ej
Encl.

OCT 1 1983
WAYS AND MEANS

September 28, 1983

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE U.S. HOUSE OF REPRESENTATIVES ON H.R. 3445, 98TH CONGRESS, A BILL TO SUSPEND TEMPORARILY THE DUTY ON DIPHENYL GUANIDINE AND DI-ORTHO-TOLYL GUANIDINE

Purpose of the legislation

H.R. 3445, if enacted, would temporarily suspend the column 1 rate of duty [1] for diphenyl guanidine and di-ortho-tolyl guanidine, classified in item 405.52 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add a new item, 907.09, with free entry for articles from countries entitled to MFN treatment, commencing on the date of enactment and ending on or before June 30, 1987. The column 2 rate of duty [2] would remain unchanged.

At the present time, these chemicals are not produced in the United States, although they were produced domestically as recently as 1981. Domestic consumers must now rely on imports as their only source. This legislation would temporarily eliminate the duty on these chemicals which increases the manufacturing costs of the end-use products.

---

[1] The rates of duty in rate of duty column numbered 1 are Most-Favored-Nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment. However, MFN rates would not apply to products of developing countries if preferential tariff treatment is granted under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

[2] The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Description and uses

Diphenyl guanidine and di-ortho-tolyl guanidine are synthetic organic chemicals produced, in part, from benzene and toluene derivatives. Both chemicals are principally used as curing accelerators for synthetic and natural rubbers which are ultimately used in the production of automobile tires and shoe soles. According to industry sources, other competitively-priced accelerators either do not work as well as these two products or have health-related problems (e.g., thioureas) which make their use less desirable.

Tariff treatment

As a result of the Trade Agreements Act of 1979, 1/ these two chemicals are presently classified in TSUS item 405.52 (carboxyimide-function compounds and imine-function compounds). Item 405.52 has a column 1 rate of 18 percent ad valorem and an LDDC rate of duty 2/ of 15 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 61 percent ad valorem. The column 1

1/ Section 223(d), 93 Stat. 205. As a result of the Customs Valuation Agreement of the Multilateral Trade Negotiations (MTN), the "American selling price" (ASP) method of appraising certain benzenoid chemicals was eliminated. The Commission's recommendations, contained in "The Probable Economic Effect of U.S. Adoption of New Rules of Customs Valuation" (Report to the Special Trade Representative on Investigation No. 332-98) formed the basis for the provisions contained in section 223(d). Under the ASP method of appraisement, imported benzenoid products considered to be "competitive" with similar domestic products (accomplishing results substantially equal to those of the domestic products used in substantially the same manner) were appraised on the basis of the U.S. wholesale price of the similar domestic product. Other imported products were appraised based on the "United States value", relying on the wholesale price of the imported products, with such products generally assessed a lower duty than those appraised under ASP.

2/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items and apply to covered products of the least developed developing countries, enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in column numbered 1 applies.

rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round, as follows:

Year	Rate (Cents per pound; percent ad valorem)
1980 1/	1c + 19.1%
1981	0.4c + 19.1%
1982	18.8%
1983	18%
1984	17.3%
1985	16.5%
1986	15.8%
1987	15%

1/ Rate effective on and after July 1, 1980. Prior to July 1, 1980, the rate in effect (the Pre-MTN rate) was 1.7 cents per pound plus 12.5 percent ad valorem.

Item 405.52 is not an eligible article under the Generalized System of Preferences. 1/

Structure of the domestic industry

Currently, these chemicals are not produced in the United States. During 1978-81, American Cyanamid Co. produced these chemicals in New Jersey at its Bound Brook plant. In December 1981, American Cyanamid stopped production of these chemicals because of declining demand and pollution problems at this old plant which would require a considerable investment to correct. American Cyanamid advised Commission staff that they now supply their requirements for this chemical from imports.

1/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, as enacted in title V of the Trade Act of 1974 and implemented by Executive Order No. 11888 of November 24, 1975, applies to merchandise imported on or after January 1, 1976, and is scheduled to remain in effect until January 4, 1985. It provides for duty-free entry of eligible articles imported directly from designated beneficiary developing countries.

Domestic production

During the past five years, domestic production data for these chemicals were reported to the Commission by American Cyanamid; however, these data cannot be published because to do so would reveal confidential business information.

U.S. imports

In 1982, U.S. imports of diphenyl guanidine and di-ortho-tolyl guanidine amounted to 1.6 million pounds and 471,000 pounds, respectively. The majority of these imports were from France and West Germany. Smaller amounts of diphenyl guanidine were also imported from the United Kingdom. Some of the major importers were Prochimie, Mobay Chemical Corp., and Monsanto Co. The Commission staff did not find any imports from column 2 sources.

U.S. imports of these chemicals for the past five years are as follows:

Chemical	1978	1979	1980	1981	1982
	Quantity (1,000 pounds)				
Diphenyl guanidine------------	42	388	408	1,957	1,547
Di-ortho-tolyl guanidine------	1/	115	100	950	471

1/ Not available.

U.S. exports

During 1978-82, industry sources estimate exports of these chemicals were minimal, especially in the last few years. Exact export data are not available as these chemicals are classified in a residual (basket) Schedule B number.

Apparent U.S. consumption

Data for domestic consumption of these chemicals are not available; however, industry sources indicate that domestic consumption in 1982 was essentially the same as imports.

Potential annual loss of revenue

Based on Commission data and information provided by the major domestic importers of these chemicals, the following are estimated revenue losses for a three-year period from 1984 through 1986.

Year	Estimated revenue loss ($1,000)
1984------------------	$530
1985------------------	520
1986------------------	480

Technical comments

The semicolon following "Diphenyl guanidine" in the article description is unnecessary and should be deleted.

RUBBER MANUFACTURERS ASSOCIATION
1400 K STREET, N.W. • WASHINGTON, D.C. 20005 • (202) 682-4826

OFFICE OF THE PRESIDENT

July 20, 1984

The Honorable John C. Danforth
Chairman, Subcommittee on Trade
Committee on Finance
United States Senate
219 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Danforth:

The Rubber Manufacturers Association ("RMA") respectfully submits the enclosed comments on S.2022, a bill to temporarily suspend the column 1 rate of duty for diphenyl guanidine (DPG) and di-ortho-tolyl guanidine (DOTG) classified in item 405.52 of the Tariff Schedule of the United States. These chemicals are of vital importance to rubber manufacturing, and on behalf of the domestic tire and rubber industry I urge your support and prompt consideration of S.2022.

Thank you for your attention and should any further information be required, please do not hesitate to contact me at (202) 682-4826.

Sincerely,

Donald G. Brotzman

Enclosures

RMA
RUBBER MANUFACTURERS ASSOCIATION
1400 K STREET N.W. • WASHINGTON, D.C. 20005 • (202) 682-4800

Statement
of the
Rubber Manufacturers Association
in support of
S. 2022

Submitted to
the
Subcommittee on International Trade
Committee on Finance
by
Donald G. Brotzman
President
Rubber Manufacturers Association

July 20, 1984

This statement, in support of S.2022, is submitted to the Subcommittee on International Trade of the Committee on Finance by the Rubber Manufacturers Association ("RMA"). The RMA is the national trade association representing more than two hundred companies engaged in the production of tires and other rubber goods. The RMA wishes to go on record in support of S.2022. This bill would temporarily suspend the column 1 rate of duty for diphenyl guanidine (DPG) and di-ortho-tolyl guanidine (DOTG) classified in item 405.52 of the Tariff Schedules of the United States. These chemicals are of vital importance to rubber manufacturing because they are used principally as curing accelerators in the production of tires, footwear and other rubber products.

Presently, DPG and DOTG are not produced in the United States although they were produced domestically as recently as 1981. Thus, U.S. manufacturing companies must rely on imports as their only source. S.2022 would temporarily enhance the competitive position of the U.S. rubber industry.

Historically, DPG and DOTG were classified under the American Selling Price category. Under the revised schedule of the Tokyo Round they had a duty rate of 18% ad valorem for 1983 and a current rate of 17.3%. According to the enclosed memorandum from the International Trade Commission (ITC), in 1982 U.S. imports of DPG amounted to 1.6 million pounds and DOTG imports were 471,000 pounds. Further details on these chemicals, including the impact on estimated revenue loss, are included in the aforementioned ITC memorandum submitted to the House Ways and Means Committee September 28, 1983.

On behalf of the domestic tire and rubber industry, RMA urges prompt consideration and reporting out of S.2022.

OCT 1 1983
WAYS AND MEANS

September 28, 1983

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE U.S. HOUSE OF REPRESENTATIVES ON H.R. 3445, 98TH CONGRESS, A BILL TO SUSPEND TEMPORARILY THE DUTY ON DIPHENYL GUANIDINE AND DI-ORTHO-TOLYL GUANIDINE

Purpose of the legislation

H.R. 3445, if enacted, would temporarily suspend the column 1 rate of duty 1/ for diphenyl guanidine and di-ortho-tolyl guanidine, classified in item 405.52 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add a new item, 907.09, with free entry for articles from countries entitled to MFN treatment, commencing on the date of enactment and ending on or before June 30, 1987. The column 2 rate of duty 2/ would remain unchanged.

At the present time, these chemicals are not produced in the United States, although they were produced domestically as recently as 1981. Domestic consumers must now rely on imports as their only source. This legislation would temporarily eliminate the duty on these chemicals which increases the manufacturing costs of the end-use products.

1/ The rates of duty in rate of duty column numbered 1 are Most-Favored-Nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment. However, MFN rates would not apply to products of developing countries if preferential tariff treatment is granted under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

2/ The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Description and uses

Diphenyl guanidine and di-ortho-tolyl guanidine are synthetic organic chemicals produced, in part, from benzene and toluene derivatives. Both chemicals are principally used as curing accelerators for synthetic and natural rubbers which are ultimately used in the production of automobile tires and shoe soles. According to industry sources, other competitively-priced accelerators either do not work as well as these two products or have health-related problems (e.g., thioureas) which make their use less desirable.

Tariff treatment

As a result of the Trade Agreements Act of 1979, 1/ these two chemicals are presently classified in TSUS item 405.52 (carboxyimide-function compounds and imine-function compounds). Item 405.52 has a column 1 rate of 18 percent ad valorem and an LDDC rate of duty 2/ of 15 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 61 percent ad valorem. The column 1

1/ Section 223(d), 93 Stat. 205. As a result of the Customs Valuation Agreement of the Multilateral Trade Negotiations (MTN), the "American selling price" (ASP) method of appraising certain benzenoid chemicals was eliminated. The Commission's recommendations, contained in "The Probable Economic Effect of U.S. Adoption of New Rules of Customs Valuation" (Report to the Special Trade Representative on Investigation No. 332-98) formed the basis for the provisions contained in section 223(d). Under the ASP method of appraisement, imported benzenoid products considered to be "competitive" with similar domestic products (accomplishing results substantially equal to those of the domestic products used in substantially the same manner) were appraised on the basis of the U.S. wholesale price of the similar domestic product. Other imported products were appraised based on the "United States value", relying on the wholesale price of the imported products, with such products generally assessed a lower duty than those appraised under ASP.

2/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items and apply to covered products of the least developed developing countries, enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty in column numbered 1 applies.

rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round, as follows:

Year	Rate (Cents per pound; percent ad valorem)
1980 1/	1¢ + 19.1%
1981	0.4¢ + 19.1%
1982	18.8%
1983	18%
1984	17.3%
1985	16.5%
1986	15.8%
1987	15%

1/ Rate effective on and after July 1, 1980. Prior to July 1, 1980, the rate in effect (the Pre-MTN rate) was 1.7 cents per pound plus 12.5 percent ad valorem.

Item 405.52 is not an eligible article under the Generalized System of Preferences. 1/

Structure of the domestic industry

Currently, these chemicals are not produced in the United States. During 1978-81, American Cyanamid Co. produced these chemicals in New Jersey at its Bound Brook plant. In December 1981, American Cyanamid stopped production of these chemicals because of declining demand and pollution problems at this old plant which would require a considerable investment to correct. American Cyanamid advised Commission staff that they now supply their requirements for this chemical from imports.

1/ The GSP is a program of nonreciprocal tariff preferences granted by the United States to developing countries to aid their economic development by encouraging greater diversification and expansion of their production and exports. The GSP, as enacted in title V of the Trade Act of 1974 and implemented by Executive Order No. 11888 of November 24, 1975, applies to merchandise imported on or after January 1, 1976, and is scheduled to remain in effect until January 4, 1985. It provides for duty-free entry of eligible articles imported directly from designated beneficiary developing countries.

Domestic production

During the past five years, domestic production data for these chemicals were reported to the Commission by American Cyanamid; however, these data cannot be published because to do so would reveal confidential business information.

U.S. imports

In 1982, U.S. imports of diphenyl guanidine and di-ortho-tolyl guanidine amounted to 1.6 million pounds and 471,000 pounds, respectively. The majority of these imports were from France and West Germany. Smaller amounts of diphenyl guanidine were also imported from the United Kingdom. Some of the major importers were Prochimie, Mobay Chemical Corp., and Monsanto Co. The Commission staff did not find any imports from column 2 sources.

U.S. imports of these chemicals for the past five years are as follows:

Chemical	1978	1979	1980	1981	1982
	Quantity (1,000 pounds)				
Diphenyl guanidine	42	388	408	1,957	1,547
Di-ortho-tolyl guanidine	1/	115	100	950	471

1/ Not available.

U.S. exports

During 1978-82, industry sources estimate exports of these chemicals were minimal, especially in the last few years. Exact export data are not available as these chemicals are classified in a residual (basket) Schedule B number.

Apparent U.S. consumption

Data for domestic consumption of these chemicals are not available; however, industry sources indicate that domestic consumption in 1982 was essentially the same as imports.

Potential annual loss of revenue

Based on Commission data and information provided by the major domestic importers of these chemicals, the following are estimated revenue losses for a three-year period from 1984 through 1986.

Year	Estimated revenue loss ($1,000)
1984	$530
1985	520
1986	480

Technical comments

The semicolon following "Diphenyl guanidine" in the article description is unnecessary and should be deleted.

UNIROYAL

UNIROYAL, Inc.
World Headquarters
Middlebury, Connecticut 06749

July 17, 1984

Mr. Roderick A. De Arment, Esq
Chief Counsel, Committee of Finance
Room SD-219
Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. De Arment:

The intent of this letter is to add the support of Uniroyal, Inc. Tire Division for the adoption of S.2022 which would temporarily suspend the column 1 rate of duty for diphenyl guanidine (DPG).

Uniroyal Inc. Tire Division purchases and consumes DPG as a curing accelerator in the manufacture of Tires. DPG is not produced in the U.S.A., therefore, we must purchase imported DPG. If the duty were temporarily suspended it would reduce the cost of DPG and improve our competitive situation.

We urgently support the intent of S.2022.

Yours very truly,

R. A. Simoniello
Purchasing Manager
Uniroyal Tire Operations
Worldwide
RAS/ls

INDEPENDENT ZINC ALLOYERS ASSOCIATION

[illegible]

STATEMENT OF

R.M. Cooperman

Executive Director

Independent Zinc Alloyers Association, Inc.

To the

Senate Finance Committee

In opposition to

S. 2092

July 23, 1984

The Independent Zinc Alloyers Association, Inc. (IZAA), 900 17th Street, N.W., Suite 504, Washington, D.C., represents approximately 65% of the production capacity of zinc alloy sold in the United States to the casting and forging industries. These companies are virtually all small businesses, located in 12 states.

In the interests of equitable treatment of the zinc imports for the metal producing segments of the industry, we cannot support S. 2092 in its present form. This legislation fails to address the industrial needs and consumption demands for the raw material, unwrought slab zinc, of the zinc alloying industry.

The independent zinc alloyers need a suspension of the current 1.7% ad valorem duty on imports of unwrought slab zinc and could support S. 2092 if the legislation reflected this change.

U.S. reliance on foreign sources of zinc ores, dross and skimmings, waste and scrap, as well as unwrought slab zinc has been significant for many years. In recognition of this reliance, the duty suspension on foreign ores and concentrates, as stated in S. 2092, should be extended.

The duty on unwrought slab zinc has never been suspended. Our continued and projected reliance on foreign sources of slab zinc dictates that this duty should have a three year trial suspension.

Slab zinc is the first stage of refined zinc metal and is produced in several grades, including special high grade, high grade, continuous galvanizing grade, controlled lead grade, and prime western grade.

There is a duty of 1.7% ad valorem on imports of slab zinc, but it is scheduled under the last round of the Multinational Trade Negotiations (MTN) to decline to only 1.5% ad valorem by 1987.

Zinc ores and concentrates are the raw material from which slab zinc is made by producers. Slab zinc is the raw material of zinc alloyers, galvanizers, and brass and bronze processors. These plants produce intermediate products for the casting industry, the steel industry, and the foundry industry. Their products become components of automobiles, computers, builders hardware, electronic equipment, electric utilities, and many other consumer items.

Ores and concentrates should come into this country duty free. They are essential raw materials for segments of the zinc producing industry; just as slab zinc is an essential raw material for a segment of the zinc producing industry. Both should be allowed to enter the U.S. duty free.

Our demand for imports of zinc is not expected to decline in the future. According to the U.S. Bureau of Mines, Mineral Commodity Summaries, 1984, the United States was 66% reliant upon imports of all forms of zinc in 1983. This does not represent a significant change from 1978, when the U.S. was 66% reliant upon imports of zinc. For almost a decade, any changes in quantities of zinc imports was directly related to changes in domestic consumption. Further, the Bureau of Mines reported that increases of zinc imports in 1983 occurred "to meet demands."

Domestic dependence on foreign sources of zinc has become an industrial reality. Domestic capacity to mine and smelt slab zinc has fallen 55% since 1979. Consumption of zinc has declined, although not as sharply as domestic capacity. Changes in consumption are largely due to the availability of less expensive presumably more versatile substitutes, as well as the worldwide economic recession. Currently, the zinc industry is emerging, experiencing increased demand due to economic recovery and successful industry marketing campaigns. The United States Department of Commerce U.S. Industrial Outlook estimates increased zinc consumption at the rate of 3% per year through 1987. The Department of Commerce also estimates that domestic capacity will not increase to respond to these changes of demand.

Without the 1.7% ad valorem duty, zinc alloyers would no longer face less expensive substitutes, and therefore could better compete by accumulating funds to demonstrate zinc's versatility.

Without the availability of their raw material domestically, zinc alloyers cannot maintain production unless they rely upon foreign sources of slab zinc.

For the past five years, United States mine production has been at its lowest level in decades. According to the Bureau of Mines, much of the recent decline is attributable to low ore grades, low by-product value, high production costs, and exhaustion of ore reserves. The United States was the principle world mine producer of zinc until the mid-1960s when Canada became the leading producer. The United States currently ranks fifth in world production, surpassed by Canada, USSR, Australia and Peru. The trend toward smelting zinc ore in the country where it has been mined has increased substantially in the last two decades. Consequently, the dramatic decrease in domestic mine production, coupled with the increase in smelted zinc ore in the country in which it has been mined, has shifted the supplies of unwrought zinc to non-U.S. sources.

There is no sound rationale to continue levying this penalty of 1.7% ad valorem upon United States industries who must rely on foreign sources for their raw material to maintain production capacity. This diminimus, ineffective trade instrument, will strain the longevity of economic recovery for the domestic alloying, galvanizing, and casting industries.

The duty treatment of slab zinc is costly to the American public and does nothing to protect the U.S. zinc producing industry. Since the U.S. penny was converted to zinc from copper, the U.S. Bureau of the Mint has purchased thousands of tons of zinc to meet its requirements. On at least two occasions as reported in the American Metal Market, November 2, 1983 and February 28, 1984, the Mint has made purchases from easily identified foreign sources. In the first purchase, the Mint paid $16,849.93 in duty. On the second occasion, the Mint paid $28,275.00 to satisfy the 1.7% ad valorem duty. In 1983 the Mint purchased approximately 15,000 tons of zinc required for penny production. The Zinc Institute estimates that consumption of zinc for penny production will increase to approximately 45,000 tons per year when all U.S. Mint facilities have converted to the zinc penny. This will represent a 70,000 ton yearly market for zinc by 1990. Assuming zinc prices will remain constant, the U.S. Mint will pay at least $100,000 to satisfy the 1.7% ad valorem duty.

The average price of high grade zinc (the base grade for slab zinc pricing) in 1983 was .42¢ per pound, according to the American Metal Market.

If all the slab zinc imported into the United States in 1983 had been a high grade, the duty would have cost the public $9 million. Since at least 25% of the imported zinc was purchased by zinc alloyers who use only special high grade zinc (Shg) which sells at a half cent premium over high grade, the total passed on to the public was higher than stated.

In 1984, it is estimated, based upon an anticipated average high-grade price of 55 cents per pound for the year and at least the same level of imports as 1983, 630,000 metric tons, and a 1.7% ad valorem duty, that the cost of this ineffective, virtually punitive duty will be over $11,700,000.

This duty does not keep imported slab zinc out of the United States. Indeed, we cannot afford to restrain imports of slab zinc because domestically we produce at best only 30% of our requirements. Moreover, it would seem reasonable that domestic producers would sell all their zinc in a market more than twice the size of their production capacity.

In a decision in 1978, the International Trade Commission ruled that improts of slab zinc were not a substantial cause of injury to the U.S. producing industry. Nevertheless, since then at least two more zinc producing companies have withdrawn, leaving 70% of the market to imported slab zinc.

The unnecessary cost effect of the duty on imported slab zinc is felt by the alloyers, the galvanizers, and the brass and bronze manufacturers who must import vast quantities of slab zinc; the casting and steel manufacturers who process zinc; and by the ultimate product consumer who pays the bill.

As independent alloyers, we have a vital stake in the zinc industry here and around the world. We have a primary interest in protecting our access to special high grade zinc metal. Because of the international scope of our business interests, we have had to develop programs and policies that focus on the essential needs of this nation for a reliable supply of zinc.

Until the mid-1950s, independent zinc alloyers could purchase most of the special high grade metal we needed from domestic producers. There was sufficient smelting activity in the United States to meet our needs. Shortly after the Korean War, demand increased and a domestic shortage of the metal began to develop. We were forced to seek foreign sources and from that time until the present, we have had to rely increasingly on foreign metals to meet our needs.

In 1958 there was an attempt to restore the vitality of the domestic industry. By Presidential proclamation, annual quotas were imposed on lead and zinc imports. These quotas did not work.

From 1959 to 1966, according to the Bureau of Mines with the quotas in force, domestic slab zinc production increased 29.7% but total slab zinc consumption increased 57%. During this same period, the highest increase in domestic production of special high grade slab zinc was 45.5% in 1965 while the highest increase in consumption of special high grade was 64% also in 1965.

The United States Tariff Commission reported to Congress, March 1960, after the quotas has been in effect 15 months, that they had not proved to be a satisfactory means of curtailing imports. The Commission said the quotas were discriminatory in their efforts and seriously interfered with normal trade relations.

In May 1962, the Tariff Commission again reported to Congress that two additional years of experience with the import quotas substantiated the earlier conclusions. The Commission said the quotas "have not appreciably improved conditions in the domestic lead and zinc mining industry."

In 1964 and 1965 -- with the quotas still in force -- the domestic demands for special high grade slab zinc could not be met, despite the fact that the zinc producing industry had six years to strengthen itself to meet annual demands under the protection of the quotas.

To solve the problem of those two years, legislation was passed to release zinc from the national stockpile. Virtually all that was sold was special high grade. Without that emergency supply, automobile production would have been seriously impeded and the general economy would have suffered.

As a result of the obvious conclusion that the quotas had failed to accomplish their purpose and, in fact, posed a substantial boomerang threat against the national economy, they were removed after the experience of 1964-1965.

Suspension of the 1.7% duty at least will moderate price increases of slab zinc; help make zinc more competitive with other materials; and enable die casters to keep people in their jobs for the production of zinc castings for consumer product components.

Because of a rising price curve, increasing the costs of the duty to U.S. consumers, 1984 is the time to redress this unnecessary duty on slab zinc by at least suspending it for a three-year period. It is likely, as in the long suspended duty on zinc ores, that the suspension of the duty on slab zinc will not effect adversely the U.S. zinc industry, but instead will help stimulate increased use of zinc at lower prices.

The zinc alloyers perform an extremely vital step in the process by which zinc is converted into one of the most versatile and useful elements in America today. Zinc alloying companies are responsible for assuring a continuous supply of zinc alloy to the casting and forging industries. This zinc must be processed from special high grade metal because of its purity and this metal must be imported because it is not available in sufficient quantities in this country to meet the demand.

As a matter of good business and sound economic practices dictated by mining and smelting realities in the United States, independent alloyers for the past three decades have had to purchase their metal from Canada and Mexico, Peru, Australia, European nations, Japan and African countries.

Mineral exploration and development are high cost, high risk endeavors. We must question whether zinc self-sufficiency is a viable, realistic industrial, econimically sound or desirable objective.

We oppose the imposition or removal of barriers that interfere with mutual international cooperation to assure the metal needed to supply American industry and to provide American jobs. The IZAA supported, before the Trade Policy Staff Committee, the suspension of the remaining duties on ores and concentrates and slab zinc while at the same time supporting the tariff on other zinc items.

We feel that the U.S. Government should maintain those parts of our international trade policies that aid and abet a viable segment of any industry.

Independent alloyers have material readily available for instant delivery to die casters so they may provide promptly the hundreds of industries they serve with the parts required for consumer and manufacturing businesses.

IZAA members, and all zinc alloyers, are primarily concerned with their customers, the die casters. It is the role of the zinc alloyer to provide an assured supply of metal to our consumers, and to do so we have developed strong bonds with the international market.

As the United States matures in its international trade policies, suspending and removing duties where we are in short supply, maintaining or levying duties where U.S. investment and jobs can be lost, and our country resumes its position as an aggressive world industry leader, it is equitable to assure duty free raw materials for zinc producing and alloying industries. Each of these segments of the industry are channels of distribution for major quantities of zinc into the rest of the U.S. zinc using industrial world. That world should not have to pay a premium of 1.7% ad valorem on zinc alloy anymore than it should pay a duty on zinc ores.

The IZAA respectfully requests that the Senate Finance Committee amend S. 2092.

STATEMENT OF THE LEAD-ZINC PRODUCERS COMMITTEE

IN SUPPORT OF S. 2092

A Bill to Extend for Five Years the Suspension of the
Duty on Imports of Zinc Ores and Concentrates, and
Other Zinc Bearing Materials

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

U.S. SENATE

July 20, 1984

Lead-Zinc Producers Committee
1320 Nineteenth Street, N.W.
Suite 600
Washington, D.C. 20036

(202) 466-7720

LEAD-ZINC PRODUCERS COMMITTEE
Suite 600
1320 - 19th Street, N.W.
Washington, D.C. 20036
(202) 466-7720

July 20, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Re: Press Release No. 84-154: Miscellaneous Tariff Bills; S. 2092

I am enclosing six copies of the statement of the Lead-Zinc Producers Committee in support of S. 2092, Senator Bentsen's bill to continue until the close of June 30, 1989, the existing suspension of duties on certain forms of zinc.

The Lead-Zinc Producers Committee appreciates the opportunity to comment on this bill.

Sincerely,

Stanley Nehmer

Stanley Nehmer
On Behalf of the Lead-Zinc
Producers Committee

Enclosures

STATEMENT OF THE LEAD-ZINC PRODUCERS COMMITTEE IN SUPPORT OF S. 2092

SUMMARY

The Lead-Zinc Producers Committee supports enactment of S. 2092 to continue for five years the current duty suspension on imports of zinc ores and concentrates and other zinc-bearing materials used by domestic zinc producers as raw materials in the production of zinc metal.

The bill is needed to assure domestic zinc smelters and refiners continued access to raw materials on a basis competitive with that available to foreign producers. U.S. zinc mines cannot completely meet the raw material needs of U.S. zinc smelters and refiners. Domestic zinc smelting and refining operations, which have already been seriously injured by high levels of imports of zinc metal, would be further harmed by the reimposition of duties on raw materials, especially since competitors in foreign countries are not charged similar duties on their imports of such materials. Domestic zinc mines can sell virtually all production to domestic smelting and refining operations and, therefore, will benefit from any action taken to enhance the viability of the U.S. zinc smelting and refining industry.

STATEMENT OF THE LEAD-ZINC PRODUCERS COMMITTEE IN SUPPORT OF S. 2092

This statement is submitted on behalf of the member companies of the Lead-Zinc Producers Committee in support of S. 2092, legislation introduced by Senator Lloyd Bentsen (D-TX) which would continue for five years the current duty suspension on imports of zinc ores and concentrates, and other materials used by domestic zinc producers as necessary raw materials in the production of zinc metal.[1/]

The Lead-Zinc Producers Committee is comprised of four U.S. producers of primary zinc who account for most of the primary zinc output in the United States. The members are:

AMAX Lead & Zinc Incorporated
7733 Forsyth Boulevard
Clayton, Missouri 63105

The National Zinc Company
West 11th Street
Bartlesville, Oklahoma 74003

ASARCO Incorporated
120 Broadway
New York, New York 10271

St. Joe Minerals Corporation
7733 Forsyth Boulevard
Clayton, Missouri 63105

The Lead-Zinc Producers Committee urges continuation of the present suspension of duties on zinc ores, concentrates, and other materials covered in S. 2092. This measure would continue through June 30, 1989 the duty suspension originally enacted in Public Law 94-89, of August 9, 1975 and

---

[1/] Zinc-bearing ores and concentrates (TSUS 602.20), zinc dross and skimmings (TSUS 603.30), other zinc-bearing materials (TSUS 603.49, 603.50, 603.54, and 603.55), and zinc waste and scrap (TSUS 626.10). These are now classified in Schedule 9 of the Tariff Schedules as TSUS 911.00 for zinc ores and concentrates, TSUS 911.01 for zinc dross and skimmings, TSUS 911.02 for other zinc-bearing materials, and TSUS 911.03 for zinc waste and scrap.

subsequently extended in 1979. The present suspension of duties expired on June 30, 1984.

Imports of these materials are important because U.S. zinc mines, even when operating at full capacity, cannot produce sufficient ores and concentrates to meet the raw material needs of U.S. zinc smelters and refiners. U.S. zinc mine production in 1983 fell to only 60 percent of its level in 1975 when the duty suspension on ores and concentrates was first enacted. The depressed condition of U.S. zinc mine operations, therefore, in effect requires U.S. smelters and refiners to supplement domestically-mined ores and concentrates with imported raw materials in order to operate at efficient levels of capacity utilization.

U.S. zinc smelters and refiners need continued access to zinc ores and concentrates at world market prices without the additional burden of a U.S. import duty. Prior to the enactment of the duty suspension, the United States was the only major zinc metal producing country which imposed a tariff on these raw material imports. This tariff placed U.S. zinc smelters and refiners at a competitive disadvantage in the acquisition of these materials. While other problems facing domestic zinc smelters and refineries are of great significance, continuation of this suspension of duties is important to the industry. Had the tariff suspension not been in place during 1983, U.S. zinc smelters and refiners would have had to pay nearly $680,000 in duties on zinc ores and concentrates, and related materials even considering that 28 percent of the 1983 imports entered duty-free under the provisions of the Generalized System of Preferences (see Table 1). Failure to continue the suspension would reimpose duties (equal to about 0.53¢ per pound of contained metal) and further compound the difficult financial problems of zinc producers. This additional burden would come at a time when the industry is beginning to emerge from its severely depressed state during the recent recession.

U.S. imports of zinc ores and concentrates, and related materials amounted to 81,806 short tons of zinc content in 1983. This import level is little changed from the 1982 recession level and is still only 32 percent of the 255,836 tons of imports in 1981 (see Table 2). U.S. imports of zinc ores, and concentrates, and related raw materials should increase considerably as the U.S. recovery continues and particularly as ASARCO's Corpus Christi, Texas, zinc refinery recently resumed operations after a 16-month shutdown. U.S. imports of these raw materials are supplied mainly by Canada, Mexico, and Peru, which together accounted for 77 percent of total imports in 1983.

Continuation of the suspension of duties provided for by S. 2092 is important to domestic producers of zinc metal. The health of the U.S. zinc smelting and refining industry is, in turn, crucial to the health of the U.S. zinc mining industry. Continuation of the duty suspension on zinc ores and concentrates, by helping the smelters and refiners, also helps domestic mines. These mines have traditionally been highly dependent on sales to the domestic industry. Three of the member companies of the Lead-Zinc Producers Committee are themselves vertically-integrated zinc producers and operate zinc mines. Currently zinc mining takes place in a number of states including Tennessee, Missouri, New Jersey, Colorado, Pennsylvania and New York.

During the deliberations related to Congressional consideration of the 1979 extension of the duty suspension, no objections to the measure were voiced from any source. At that time, the Administration supported the bill on the grounds that the tariffs aided no domestic industry and that their continued suspension would have no adverse effect on any industry. In fact, the Administration concluded that the competitive position both at home and abroad of U.S. smelters and refiners would be seriously threatened should such duties be reimposed. These factors are equally applicable today.

On June 27, 1984, the House Ways and Means Subcommittee on Trade approved H.R. 4443, legislation which is identical to S. 2092, for full Committee consideration. At the hearing held earlier on H.R. 4443, the Administration stated that it had no objection to the passage of this bill.

For domestic producers of zinc metal, the suspension means economical access to a raw material in short supply and permits smelters to operate at efficient levels. For smelter and refining workers, the duty suspension means jobs. For the U.S. economy, it means a more viable domestic industrial base.

The Lead-Zinc Producers Committee strongly urges early enactment of Senator Bentsen's bill, S. 2092.

Table 1

U.S. IMPORTS OF ZINC ORES, CONCENTRATES, AND OTHER MATERIALS, 1983: QUANTITY, VALUE, DUTY RATE, AND COLLECTIBLE DUTY*

	Quantity (Pounds of Zinc Content)				
	Total	Of Which Non-GSP	Value ($)	Duty Rate	Collectible Duty* ($)
Zinc Ores & Concentrates					
602.2012	12,778,406	9,241,337	$2,044,739	0.48¢/lb. on zinc content	$44,356
602.2022	126,216,540	96,370,579	$14,438,578	"	$462,577
602.2032	179,294	179,294	$49,173	"	$860
602.2042	60,193	0	$15,438	"	$0
	139,234,433	105,791,210	$16,547,928		$507,793
Zinc Dross & Skimmings					
603.3000	11,740,136	11,168,843	$2,708,701	0.67¢/lb. on gross weight	94,498
Zinc-Bearing Materials					
603.5020	1,392,112	326,473	$419,773	0.48¢/lb. on zinc content	$1,567
603.5030	2,608,454	2,608,454	$605,457	"	$12,521
603.5520	38,680	38,680	$5,006	"	$186
	4,039,246	2,973,607	$1,030,236		$14,274
Zinc Waste & Scrap					
626.1000	8,599,077**	8,599,077	$1,675,711	3.7% ad valorem	$62,001
Total	163,612,892	128,532,737	$21,962,575	--	$678,566

* Collectible duty is the estimated duty that would have been paid if there had not been a duty suspension in effect.

Gross weight.

Source: U.S. Department of Commerce import data and the Tariff Schedules of the United States.

Table 2

U.S. IMPORTS OF ZINC ORES, CONCENTRATES, AND OTHER MATERIALS 1/ FROM SELECTED COUNTRIES AND TOTAL, ANNUAL 1978-1983

(in pounds of contained metal)

	1978	1979	1980	1981	1982	1983
Canada	168,724,480	37,936,108	257,960,979	420,796,196	69,655,820	50,616,118
Mexico	3,216,144	30,634,391	30,361,479	46,939,923	46,291,210	48,169,059
Honduras	28,970,317	29,504,068	15,500,110	10,130,090	13,984,742	25,973,111
Peru	18,993,696	65,470,831	88,572,285	64,100,240	13,686,322	19,525,688
Federal Republic of Germany	14,408,181	17,199,603	6,424,144	20,900,784	17,560,441	15,775,738
Australia	3,001,532	110,040	19,361,550	4,330,365	6,622,187	1,891,704
Other Countries	20,893,012	29,110,128	538,081	4,474,135	1,021,446	1,661,474
Total	258,207,362	209,965,169	418,718,628	571,671,733	168,822,168	163,612,892

1/ Includes TSUSA numbers 602.2012-602.2042, 603.3000, 603.4900, 603.5020-603.5030, 603.5400, 603.5520, and 626.1000.

Source: U.S. Department of Commerce data, IM146 and IM145X.

HARRIS, BERG & CRESKOFF
ATTORNEYS AT LAW
1100 15TH STREET, N.W.
WASHINGTON, D.C. 20005

TELEPHONE (202) 463 6414
TELECOPIER (202) 463 6522

July 17, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Enclosed please find five copies of our statement in opposition to S.2156, submitted on behalf of P.L. Thomas & Co.; J.F. Braun & Sons, Inc.; Henkel Corporation; and Springtree Corporation. Please feel free to contact me if you should have any questions.

Sincerely,

Herbert E. Harris II

Enclosures

cc: Ms. Mary Melrose

SUMMARY
OF STATEMENT OF HERBERT E. HARRIS II
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
U.S. SENATE
WITH RESPECT TO S.2156
RELATING TO THE TARIFF TREATMENT
OF CAROB FLOUR

July 17, 1984

I. P.L. Thomas & Co.; J.F. Braun & Sons, Inc.; Henkel Corporation; and Springtree Corporation, importers of carob flour, oppose S.2156 because it will disrupt trade and unnecessarily cause an increased price to consumers of an important dietetic product.

II. Advocates of S.2156 import all of their carob in a processed form free of duty and supply less than 15 percent of the U.S market.

III. S.2156 would result in the imposition of a 15 percent duty on 85 percent of the carob flour supply, and permit the suppliers of the remaining 15 percent to increase their price to the disadvantage of the consuming public.

STATEMENT
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
U.S. SENATE
WITH RESPECT TO S.2156
RELATING TO THE TARIFF TREATMENT
OF CAROB FLOUR

July 17, 1984

By Herbert E. Harris II
Counsel to P.L. Thomas & Co.; J.F. Braun & Sons, Inc.;
Henkel Corporation; & Springtree Corporation

Introduction

This statement is presented on behalf of P.L. Thomas & Co.; J.F. Braun & Sons, Inc.; Henkel Corporation; and Springtree Corporation, importers of carob flour.

S.2156 was introduced for the stated purpose of repealing the existing suspension of duty on carob flour provided for in item 903.69 of the Appendix to the Tariff Schedules of the United States.

We oppose S.2156 because it would result in higher prices to consumers of carob products and provide an unfair advantage to certain domestic processors.

H.R. 1988, a bill to suspend the duty on carob flour until December 31, 1984, was introduced on February 23, 1981. The bill was favorably reported from the Ways and Means Committee on September 17, 1981, and included in an omnibus bill of non-controversial tariff measures, H.R. 4566. That legislation passed the full House on October 13, 1981, and was referred to the Senate, Committee on Finance. Hearings on the matter were conducted by the Finance Committee in July 1982. The Committee reported H.R. 4566 to the Senate. The bill was passed by the

Senate on December 19, 1982. On December 21, the Senate and House went to conference on H.R. 4566, and reported out a bill which included the carob provision in identical form to that which was introduced as the original bill. The conference report was approved by the House and by the Senate, and the bill was signed by the President on January 12, 1983. Pub. L. No. 97-446, §123, 96 Stat. 2329, 2338 (1983).

In the nearly two year period from introduction of H.R. 1988 until the tariff bill was signed into law, no adverse comments were received as to the duty suspension on carob flour. Neither written statements nor oral testimony in oppositon to the bill were presented in the course of hearings. In fact, no adverse comments were made during the full course of the legislative proceedings.

All Carob Is Imported In Processed Form

All carob consumed in the United States is imported in processed form. The law was intended to prevent the burden of a 15 percent duty on carob flour from being passed on to the consumer. This seemed particularly appropriate in light of the fact that domestically processed carob flour, which makes up no more than 10 to 15 percent of the domestic market, is produced entirely from imported kibbled carob, a processed product which enters free of duty. Kibbled carob, incidentally, is valued at more than half the finished product cost.

S.2156, therefore, is not designed to protect producers of a domestic product from import competition by repealing suspension of the 15 percent duty. Rather, it is designed to provide suppliers of no more than 15 percent of the U.S. market with an unfair advantage over their competitors. If passed, the bill would impose an unnecessary additional cost on the suppliers of the remaining 85 percent of the market. The cost would in turn be passed on to the consumer.

Conclusion

S.2156 would provide an unfair competitive advantage to suppliers of a small percentage of the U.S. market to the detriment of suppliers of the vast majority of that market. Both groups of suppliers must rely on imported carob, be it in kibbled or flour form. Public policy is not served by erecting a trade barrier which requires consumers to pay an inflated price for carob in order to benefit one group of importers over another. This would be the inevitable result of S.2156.

Herbert E. Harris II
Harris, Berg & Creskoff
1100 15th Street, N.W.
Suite 1100
Washington, D.C. 20005
(202) 463-6414

U.S. Council for an Open World Economy
INCORPORATED
7216 Stafford Road, Alexandria, Virginia 22307
(202) 785-3772

Statement submitted by David J. Steinberg, President, U.S. Council for an Open World Economy, to the Subcommittee on International Trade of the Senate Committee on Finance concerning miscellaneous tariff bills listed in the Subcommittee's Press Release No. 84-154, dated July 5, 1984.

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any "special interest".)

The Council supports the bills that would suspend or remove tariffs, and the bill that would authorize the President to accelerate the effective dates of agreed duty reductions. The Council opposes those bills that would repeal suspension of the duty on carob flour (S.2156), increase the duty on certain shelled filberts (S.2429), and return the duties on necktie imports to the levels as of January 1, 1981 when the latest negotiated staging of necktie duty reductions began (S.2712). U.S. firms and unions opposing bills that would suspend or reduce tariffs, and those advocating bills that would increase tariffs, would be better advised to find constructive remedies addressing the real problems and needs of these industries in the face of foreign competition, in contrast to tariffs and other barriers which are really simplistic subsidies the American people have to pay and for which no net benefit to the public interest is made clear and convincing.

Whatever assistance may be needed and deserved by industries seeking government help should be provided in the framework of coherent industry-adjustment strategies, possibly including restructuring of these industries and always including suitable commitments by management and labor as a condition of government help at public expense. Tariff increases via legislation -- and even those pursuant to import-relief proceedings of the kind we have had to date -- do not meet this standard. Such adjustment strategies should also include reassessment of statutes and regulations materially affecting the particular industry's ability to adjust to foreign competition in today's rapidly changing world. Any inexcusable inequities should be corrected.

In this connection, while the extra cost incurred by U.S. copper producers as a result of domestic environmental requirements may possibly pose a serious competitive disadvantage for the U.S. industry, the bill (S.2340) to increase the duty on copper imports by an amount to offset this cost is not a well-designed remedy. If the copper industry needs and deserves government help (the International Trade Commission recently found that the industry had been seriously injured by import competition), such assistance should be provided through a coherent copper-industry redevelopment strategy. Environmental regulations should be one of the many factors taken into account in devising such a strategy. Simplistic recourse to a special import duty to offset the cost of domestic environmental requirements is the wrong way to address the problems (or any of the problems individually) of the U.S. copper industry.

(Absence of specific comment on bills not mentioned in this statement should not be interpreted as signifying either support for or opposition to such measures.)

American Iron and Steel Institute
1000 16th Street, N.W., Washington, D.C. 20036

Frank Fenton
Vice President
International Trade
and Economics
(202) 452-7130

July 26, 1984

Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

In response to the request by the Subcommittee on International Trade for comments on currently pending miscellaneous tariff bills, I am attaching an original, plus 5 copies, of the statement by the American Iron and Steel Institute with respect to S.2288, a bill to extend duty-free imports of chipper knife steel.

Sincerely,

Frank Fenton

Attachments

American Iron and Steel Institute
1000 16th Street, N.W., Washington, D.C. 20036

July 26, 1984

The Honorable John C. Danforth
Chairman
Subcommittee on International Trade
219 Dirksen Building
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing in response to your request for comments on the miscellaneous tariff bills which are presently pending in the Subcommittee on International Trade. This letter comments on S.2288, which would eliminate all duty currently imposed on imported chipper knife steel.

The American Iron and Steel Institute, which represents 56 domestic steel producers - including at least one which still produces chipper knife steel - strongly opposes S.2288. We take this position for two reasons.

First, we are opposed in general to any steel product tariff reductions or eliminations beyond those already agreed to in the Multilateral Trade Negotiations. At a time when U.S. import penetration is at record levels and every penny counts, the Congress should not agree to any further duty reductions that would be likely to cause still more serious import-related injury to domestic steel producers.

Second, in the case of chipper knife steel in particular, domestic producers of this product have already suffered devastating injury as a result of dumped or subsidized imports. With import penetration in chipper knife steel already at levels above 95 percent, the proposed elimination of duties for this product would be likely to contribute to the destruction of what little remains of domestic production.

In view of the unprecedented import sensitivity of the domestic steel industry at the present time, we must oppose any efforts to accelerate scheduled MTN duty reductions or to reduce or eliminate unilaterally duties on steel products. S.2288 would eliminate chipper knife duties despite the U.S. government's having negotiated in good faith a final MTN duty reduction on this product to 6 percent in 1987.

We see no reason to make an exception for chipper knife steel just because foreign unfair traders have been relatively more successful in destroying the financial viability of domestic producers of this product. And we see no reason why the Congress should do anything which could hasten the complete elimination of domestic production of chipper knife steel. The Congress should not liberalize tariff rates for this product beyond what was already agreed to in the MTN and by the Congress itself.

We urge that the Subcommittee look at where domestic producers of chipper knife steel were just 5 years ago, where they're at today, and why. Five years ago domestic producers accounted for about 43 percent of the U.S. market. Today they account for less than 2 percent - and dumped or subsidized imports are a major reason why.

The Department of Commerce recently determined that imports of tool steel, including chipper knife steel, from West Germany (which accounts for almost half of total imports) are being dumped at prices ranging up to roughly 18.4 percent less than fair value. The U.S. International Trade Commission has also found that U.S. producers of these products have been materially injured by reason of these dumped imports. Elimination of the duty on chipper knife steel would substantially nullify the impact of these determinations, and would have the effect of rewarding foreign unfair trade practices at the expense of domestic steel producers nearly fatally injured already by such practices.

We appreciate this opportunity to express our views on S.2288, and are grateful for your interest in this issue.

Yours sincerely,

Frank Fenton

FF/mlw

Subcommittee on International Trade
Committee on Finance
United States Senate

STATEMENT OF

MR. JOHN E. HALLORAN

President
Michigan Knife Co.
120 Pere Marquette Street
Big Rapids, Michigan 49307
(616) 796-7602

ON BEHALF OF THE

MACHINE KNIFE ASSOCIATION

IN SUPPORT OF S. 2288

TO EXTEND DUTY-FREE TREATMENT TO IMPORTS OF CHIPPER KNIFE STEEL

Counsel

Glenn R. Reichardt
Peabody, Lambert & Meyers
A Professional Corporation
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 457-1000

July 18, 1984

STATEMENT OF JOHN E. HALLORAN

PRESIDENT

MACHINE KNIFE ASSOCIATION

SUMMARY OF PRINCIPAL POINTS

1. The Machine Knife Association strongly urges the Senate to approve S. 2288, which would permanently suspend the collection of duties on chipper knife steel. Congress has previously passed two temporary reductions of the rate of duty on chipper knife steel. The time has come for a permanent solution.

2. American chipper knife manufacturers, including members of the Machine Knife Association, must rely on foreign imports of chipper knife steel as their source of raw material. The domestic availability of this peculiar analysis of alloy tool steel, which historically has been grossly insufficient to meet the demands of American knife manufacturers, has now evaporated completely.

3. Just last year the U.S. International Trade Commission found that the domestic supply of chipper knife steel was totally inadequate, and therefore recommended the exemption of chipper knife steel from import quotas on specialty steel products. The Commission also found that domestic specialty steel manufacturers had demonstrated little, if any, interest in serving this narrow product market. The President accepted the ITC's recommendation, and exempted chipper knife steel from the quotas he otherwise imposed on alloy tool steel imports last July.

4. The temporary reduction of duties on chipper knife steel, which Congress most recently enacted in 1982 (in Public Law No. 97-446), expires on March 31, 1985. This temporary reduction in duties has enabled American chipper knife manufacturers to reduce their raw material costs and become more competitive with foreign chipper knife imports.

5. Until the first temporary reduction in duties on chipper knife steel was enacted in 1980, the entire American chipper knife industry was in danger of extinction. Prior to 1980, more than a dozen American companies had ceased or substantially curtailed their manufacture of chipper knives, in large part because they were caught in a squeeze between the lack of a consistent and reliable domestic supply of raw material and a duty structure that favored the importation of foreign-made chipper knives over the importation of chipper knife steel as a raw material. As a result, many American companies that had formerly manufactured chipper knives in the United States became distributors of foreign-made knives.

6. If the temporary reduction of duties on chipper knife steel is not extended, and those duties rise to their former level, the deterioration of the American chipper knife industry will resume. Increased duties on chipper knife steel would not result in increased purchases of domestic steel, but instead would result in an increase in imports of foreign-made chipper knives.

7. Another short-term temporary duty reduction is not sufficient. American chipper knife manufacturers need permanent relief so that they can make long-term production, investment and supply decisions. The history of the two previously enacted temporary duty reductions clearly demonstrates that permanent elimination of the duty on chipper knife steel is not only warranted, but necessary for the future growth and health of the American chipper knife industry.

8. The Executive Branch has already indicated, in comments to the House Ways and Means Committee, that it has no objection to permanent duty-free treatment for imports of chipper knife steel. To the contrary, the Administration has recognized that elimination of the duty on chipper knife steel would help improve the international competitive position of the domestic chipper knife industry and would facilitate that industry's long-range planning for production, investment, and raw material supply.

9. The Trade Subcommittee of the House Ways and Means Committee has already approved exactly the same legislation, in the form of H.R. 4765, by way of its vote on June 26, 1984.

On behalf of the members of the Machine Knife Association and their American workers, I strongly urge the Senate to approve S. 2288 and thus grant permanent duty relief to the American chipper knife industry.

STATEMENT OF JOHN E. HALLORAN

I. Introduction

My name is John E. Halloran. I am the president of Michigan Knife Co. of Big Rapids, Michigan, and Springfield, Oregon. Michigan Knife Co. employs approximately 170 workers, to whom it pays wages and salaries which exceed $2.6 million annually. Chipper knives and related products account for more than 80 percent of Michigan Knife Co.'s business. If the existing reduction of duties on chipper knife steel -- our principal raw material -- is not extended, those sales, and the jobs they create, will be in serious jeopardy.

The Machine Knife Association, of which I am president, was created in 1882 and represents companies from around the country that are engaged in the manufacture and sale of machine knives and related products to the wood industry. Our members have manufacturing and distribution facilities in many states, including Illinois, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, New York, Ohio, Oregon, Pennsylvania, South Carolina, Texas, and Washington. A list of members of our association and the locations of their facilities is attached to this statement as Exhibit A.

I have personally been engaged in the wood knife industry for almost twenty years, the last ten of which have been as president of Michigan Knife Company. Both as president of the Machine Knife Association and as president of one of the largest American manufacturers of chipper knives, I am convinced that a permanent suspension of the duty on chipper knife steel, as provided for by S. 2288, is necessary to enable the American chipper knife industry to grow and prosper in the face of the intense competition that our industry faces from imports of foreign-made knives.

II. The Chipper Knife Industry

Chipper knife steel is designed solely for the manufacture of industrial knives that are used by paper manufacturers, lumber mills, and other forest products companies to chip timber and wood into pulp, chips, and other wood fiber products. 1/ Wood chips are used to manufacture paper and corrugated boxes, to treat sewage, in landscaping, and for an increasing variety of other purposes. Wood chips are also being used increasingly as an energy source for industrial power plants.

There are now four major American chipper knife manufacturers in the United States, including Hannaco Knives & Saws, Inc., Michigan Knife Co., R. Hoe & Co., Inc., and Simonds Cutting Tools. These firms employ hundreds of workers in the production of chipper knives. Many more people are employed in administrative and sales positions with these firms.

Michigan Knife Co., like other American chipper knife manufacturers, supplies hundreds of customers in the paper, forest

---

1/ Chipper knife steel is classified under Item No. 606.93 of the Tariff Schedules of the United States of America (TSUSA). The chemical description of chipper knife steel, which appears in Headnote 2(viii) of Schedule 6, Part 2, Subpart B of the TSUSA, was developed by commodity specialists at the ITC after imports of chipper knife steel were exempted from the then-existing quotas on specialty steel in 1978.

products, and lumber mill supply industries. Our customers include such major forest products companies as Boise Cascade, Champion Building Products, Georgia-Pacific, International Paper, Louisiana-Pacific, St. Regis, Union Camp and Weyerhauser. Chipper knives are also used by public agencies, including small towns and villages, that employ small wood chipping machines for tree-limb removal and disposal.

American chipper knife manufacturers face fierce competition from imports of foreign-made chipper knives. Because of this fierce competition, American chipper knife manufacturers cannot survive, even in their home markets, unless they keep their production and raw material costs as low as possible.

Until 1980, when the first reduction in chipper knife steel duties was enacted, American chipper knife manufacturers were seriously disadvantaged by a major difference in the rate of duty on imported chipper knife steel as compared to the rate of duty on foreign-made chipper knives. Before the first temporary duty legislation passed, the rate of duty on chipper knife steel was more than 12 percent whereas the rate of duty on foreign-made knives was less than 5 percent.

Given that chipper knife steel represents the major cost (from 70 to 80 percent) in the manufacture of chipper knives, this difference in duty -- of more than 250% -- gave foreign knife manufacturers a competitive advantage that almost put them beyond reach.

As a result of this disparity in duties, more than a dozen American knife manufacturers left the chipper knife market, moved their production facilities overseas, were acquired by foreign concerns, or became distributors of foreign-made knives.

In 1980, Congress and the President helped alleviate this unfair discrimination against American chipper knife manufacturers by temporarily reducing the rate of duty on chipper knife steel to 4.6 percent, which was then the rate of duty on imported foreign-made knives. 2/ Similar legislation was enacted in 1982, which reduced the rate of duty on chipper knife steel, in stages that were approximately equal to the rate of duty on foreign-made chipper knives, until March 31, 1985. 3/ The current temporary rate of duty on chipper knife steel is 4.0 percent ad valorem.

III. The ITC's Investigation of Chipper Knife Steel in 1983 Confirmed the Lack of Domestic Supply of This Product.

Shortly after the most recent temporary reduction in chipper knife steel duties was enacted, the U.S. International Trade Commission commenced an investigation of all imports of specialty steel, including tool steel, under Section 201 of the Trade Act of 1974. 4/ In the course of its investigation last spring, the ITC received a substantial amount of testimony and other evidence

---

2/ Pub. L. No. 96-609 (H.R. 5047), § 113, 94 STAT. 3557 (Dec. 28, 1980).

3/ Pub. L. No. 97-446 (H.R. 4566), § 142, 96 STAT. 2342 (Jan. 12, 1983).

4/ In the Matter of Stainless Steel and Alloy Tool Steel, Inves. No. TA-201-48 (U.S.I.T.C., 1983).

regarding the lack of a domestic supply of chipper knife steel for American knife manufacturers.

After two sets of hearings and the accumulation of extensive evidence, the ITC determined that, although import quotas or increased duties ought be imposed on other grades of specialty steel, chipper knife steel should be exempted from such restrictions, because, in the unanimous opinion of the ITC, there is an insufficient domestic supply of chipper knife steel and a lack of interest, on the part of domestic steel companies, in supplying chipper knife steel to American knife producers. 5/

For example, in his recommendation to the President, then ITC Chairman Alfred Eckes stated that, for chipper knife steel and two other narrowly defined grades of tool steel:

> . . . there is either no domestic production or insufficient domestic production to meet the demands of consumers. Most importantly, the domestic industry has exhibited little, if any, interest in serving these market niches. 6/

Similarly, Commissioners Paula Stern and Veronica Haggart reported to the President that chipper knife steel

> . . . can apparently not be supplied in sufficient quantities at a price which is not well in excess of the market price for imports in the U.S. market. Testimony and submissions in the present and former specialty steel investigations indicate that chipper knife

---

5/ Stainless Steel and Alloy Tool Steel, Report to the President on Investigation No. TA-201-48, USITC Pub. 1377 (May 1983) (hereinafter referred to as the "ITC Report"). Excerpts from that report are attached hereto as Exhibit B.

6/ ITC Report at 55.

> steel's unusual chemistry and varied product form make it undesirable for U.S. producers to enter the market. Further testimony cited repeated and unsuccessful efforts by the consumers of this product to attempt to develop domestic sources for the material. 7/

Based upon these unanimous recommendations by the ITC, President Reagan, in imposing quotas upon imports of other grades of tool steel, specifically exempted chipper knife steel from such quotas on the ground that chipper knife steel is either not produced in the United States or is produced in such small quantities that an exemption would not have an adverse impact on the domestic industry. 8/

These unanimous conclusions of the ITC and the President, after thorough investigation and numerous opportunities to receive contrary evidence from the domestic specialty steel industry, dramatically confirm what American chipper knife manufacturers have known and have been saying for many years: they cannot rely upon a domestic supply of chipper knife steel and will not survive unless they can obtain their raw material from overseas at the lowest possible price.

7/ ITC Report at 48.

8/ Presidential Proclamation 5074, 48 Fed. Reg. 3323 (July 21, 1983). In 1978 President Carter had exempted chipper knife steel from a previous set of quotas on imports of specialty steel. Presidential Proclamation 4559, 43 Fed. Reg. 14433 (April 6, 1978).

IV. There Is No Longer Any Domestic Supply of Chipper Knife Steel.

It appears that there is no longer any domestic supply of chipper knife steel. Although the domestic supply of chipper knife steel has not, for many years, been adequate, reliable or consistent, such domestic production as formerly existed has apparently evaporated entirely. A survey of the four significant American chipper knife manufacturers indicates that not one of them has purchased or ordered chipper knife steel from a domestic source since 1982, other than a few sporadic purchases of small quantities of chipper knife steel that domestic suppliers were liquidating from their inventories.

Not one of these American chipper knife manufacturers has even been approached, within the past two years, by a domestic steel company seeking to sell any substantial quantity of chipper knife steel.

A dramatic demonstration of the lack of interest in chipper knife steel on the part of domestic steel suppliers is that during the course of the ITC's investigation last spring, right in front of the ITC commissioners, the American chipper knife manufacturers presented their specifications for chipper knife steel to the domestic tool steel suppliers and their representatives. Not one company has ever responded to those specifications. 9/

9/ See Stainless Steel and Alloy Tool Steel, Post-Hearing Brief On Behalf of the Machine Knife Association and Michigan Knife Company, ITC Inves. No. TA-201-48 (Remedy Phase)(April 11, 1983) at 3-4 and Exhibit A.

Previously, in May 1982, Michigan Knife Co. had sent inquiries to eight domestic specialty steel producers, including every domestic company known to have produced chipper knife steel at any time within the previous ten years. Only two firms responded at all, and neither one of them was able or willing to offer prices or terms there were competitive with foreign sources of chipper knife steel. 10/

In sum, we are not aware of any current or planned production of chipper knife steel by any domestic tool steel producer, and not one domestic tool steel supplier has sought to sell chipper knife steel to the American chipper knife industry within the past two years.

V. The American Chipper Knife Industry May Disappear If Duty Relief Is Not Made Permanent.

The previous temporary legislation to reduce duties on chipper knife steel has helped arrest the decline of the American chipper knife industry, but permanent relief is necessary for American knife manufacturers to ensure their ultimate survival.

At the hearings before the ITC last spring, and in sworn affidavits that were submitted to the Commission as part of its investigation, each American chipper knife manufacturer indicated that, if it could not obtain chipper knife steel from abroad, it would almost certainly be forced to cease the manufacture of

---

10/ See Stainless Steel and Alloy Tool Steel, Pre-Hearing Brief On Behalf of the Machine Knife Association and Michigan Knife Company, ITC Inves. No. TA-201-48 (Injury Phase) (Feb. 2, 1983) at 18-19 and Exhibit H.

chipper knives in this country. 11/ The choice is not between domestic and foreign chipper knife steel. It is between having an American chipper knife industry or relying solely upon imports of foreign-made knives.

Although we are grateful to the Congress and to the President for the temporary relief we have already been granted, the expense and uncertainty associated with a series of temporary duty reduction bills is so substantial that they prevent American knife manufacturers from making long term plans for investment, production capacity, and marketing.

Temporary duty legislation as to chipper knife steel has either been under consideration or in effect for more than five years. 12/ During that time, the Congress and the Executive Branch have repeatedly found (as did the ITC last spring) that there is not an adequate domestic supply of chipper knife steel. At present it appears that there is not any domestic supply of

---

11/ See Stainless Steel and Alloy Tool Steel, Pre-Hearing Brief On Behalf of the Machine Knife Association and Michigan Knife Company, ITC Inves. No. TA-201-48 (Injury Phase)(Feb. 2, 1983) at 14-23 and the affidavits contained in Exhibit G, as well as the transcript of the testimony given before the ITC on February 9, 1983, by representatives of three of the largest American chipper knife manufacturers at Tr. 262-63.

12/ The first bill to suspend duties on chipper knife steel was introduced in the 95th Congress on June 12, 1978 (H.R. 13094). Since that time there have been four sets of hearings on chipper knife steel legislation. In the 96th Congress, hearings were held before the House Trade Subcommittee on July 27, 1979, and before the Senate International Trade Subcommittee on February 5, 1980. In the 97th Congress, hearings were held before the House Trade Subcommittee on June 15, 1981, and before the Senate International Trade Subcommittee on July 21, 1982.

this raw material nor any prospect that one will materialize in the foreseeable future.

Under these circumstances, the collection of duties on chipper knife steel should be permanently suspended. A mere continuation of temporary relief would be unfair to American knife manufacturers since they have, at considerable expense, proven time and again, over a period of years, that they cannot survive in the absence of duty relief. Similarly, the imposition of any duty on chipper knife steel would be unfair and counter-productive, since it would not benefit any domestic industry but would instead impose an unnecessary cost upon American chipper knife manufacturers in their struggle to compete against imports of foreign-made knives.

VI. The Executive Branch Supports This Legislation.

In comments submitted to the House Ways and Means Committee on June 28, 1984, the Reagan Administration, through the U.S. Department of Commerce, indicated that it had no objection to H.R. 4765, which is the House counterpart to S. 2288. A copy of the Executive Branch comments on H.R. 4765 is attached hereto as Exhibit C.

In pertinent part, the Executive Branch has indicated that, while elimination of the duty on chipper knife steel is not expected to have an adverse effect on domestic steel manufacturers (because there is no significant domestic production of this product and most U.S. steel producers are unwilling to manufacture chipper knife steel), the American chipper knife industry would greatly benefit from the enactment of legislation such as S. 2288 because:

> Elimination of the duty on chipper knife steel would contribute toward the efforts of the domestic chipper knife industry to reduce costs and increase its competitive position against foreign producers of these knives. Chipper knife producers also will be able to undertake long-range planning for production, investment, and supply decisions, uninhibited by the short-term, temporary duty reductions.

The Executive Branch comments on H.R. 4765 (the counterpart to S. 2288) are entirely consistent with each previous examination of this issue by the Executive Branch, the U.S. International Trade Commission, and the Congress. Under the circumstances, it would be neither wise nor just to continue to impose duties on a raw material that American manufacturers cannot obtain in the United States.

VII. The House Trade Subcommittee Has Approved This Same Legislation In The Form of H.R. 4765.

At its markup on June 26, 1984, the Trade Subcommittee of the House Ways and Means Committee approved, without dissent, H.R. 4765, which is the House counterpart to S. 2288 and thus also provides for the extension of duty-free treatment to imports of chipper knife steel.

We hope and expect that the full Ways and Means Committee and the U.S. House of Representatives will speedily endorse the Trade Subcommittee's action on H.R. 4765. It is vitally important to the American chipper knife industry and to the Machine Knife Association that the Congress act upon this legislation before the existing temporary reduction of duties on chipper knife steel expires early next year.

VIII. Conclusion

The history that has accumulated during the previous two temporary duty reductions and the findings of the U.S. International Trade Commission during its investigation of chipper knife steel imports last spring are a compelling basis upon which Congress can and should extend permanent duty-free treatment to imports of chipper knife steel.

For the reasons described above, the Machine Knife Association and its members, including Michigan Knife Co., strongly urge the Senate to approve S. 2288.

JOHN E. HALLORAN

President
Machine Knife Association

and

President
Michigan Knife Co.

Of Counsel:

Glenn R. Reichardt
Peabody, Lambert & Meyers
A Professional Corporation
1150 Connecticut Ave., N.W.
Washington, D.C. 20036
(202) 457-1000

EXHIBIT A

Members of the Machine Knife Association
And Chipper Knife Manufacturers That Support
S. 2288

CHIPPER KNIFE MANUFACTURERS AND MEMBERS OF THE MACHINE KNIFE ASSOCIATION WHO SUPPORT S. 2288

Bolton-Emerson, Inc.
Lawrence, Massachusetts
Philadelphia, Pennsylvania
Seattle, Washington

Detroit Edge Tool Company
Detroit, Michigan

Hannaco Knives & Saws, Inc.
Monroe, Louisiana
Greenville, Mississippi
Eugene, Oregon
Florence, South Carolina

Lancaster Knives, Inc.
Lancaster, New York
Portland, Oregon

Michigan Knife Company
Big Rapids, Michigan
Springfield, Oregon

The Ohio Knife Company
Cincinnati, Ohio
Portland, Oregon

R. Hoe & Co., Inc.
Birmingham, Alabama
Scarsdale, New York
Portland, Oregon

Simonds Cutting Tools
Chicago, Illinois
Shrevesport, Louisiana
Fitchburg, Massachusetts

U.S. Knife Co.
Division/Bohler Bros. of America
Houston, Texas

The Wapakoneta Machine Company
Wapakoneta, Ohio

MACHINE KNIFE ASSN.
Thomas D. Dolan
Executive Secretary
Machine Knife Association
800 Custer Avenue
Evanston, Illinois 60202
312-864-8444

EXHIBIT B

Excerpts From the Report of the
U.S. International Trade Commission
On Investigation No. TA-201-48
(Stainless and Alloy Tool Steel)

THE RECENT EXEMPTION OF CHIPPER KNIFE STEEL FROM IMPORT QUOTAS

Report of the
U.S. International Trade Commission
May 1983

Recommendation of Chairman Eckes

In my judgment there is a sound basis for exempting three products--razor blade stainless steel, chipper knife tool steel, and band saw steel. . . . For these products there is either no domestic production or insufficient domestic production to meet the demands of consumers. Most importantly, the domestic industry has exhibited little, if any, interest in serving these market niches.

Recommendation of Commissioners Stern and Haggart

We are advising the USTR that chipper knife steel be exempted from the relief recommended, and have adjusted the quota for alloy tool steel accordingly. This product has been made periodically by U.S. producers, but can apparently not be supplied in sufficient quantities at a price which is not well in excess of the market price for imports in the U.S. market. Testimony and submissions in the present and former specialty steel investigations indicate that chipper knife steel's unusual chemistry and varied product form make it undesirable for U.S. producers to enter the market. Further testimony cited repeated and unsuccessful efforts by the consumers of this product to attempt to develop domestic sources for the material.

Proclamation 5074
by President Reagan
July 1983

I (have) determined to impose additional tariffs and quantitative restrictions (on certain specialty steel products), with exemptions for certain articles which are not produced in the United States or are produced in such small quantities that their exemption would not have an adverse impact on the domestic industry.

EXHIBIT C

Comments of the U.S. Department of Commerce
On H.R. 4765 (June 28, 1984)

GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

JUN 28 1984

COMMITTEE ON
JUN 29 1984
RECEIVED
WAYS AND MEANS

Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
House of Representative
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is in response to your request for the views of this Department on H.R. 4765, a bill

"To extend duty-free treatment to imports of chipper knife steel."

The Department of Commerce has no objection to enactment of H.R. 4765.

H.R. 4765 would eliminate the column 1 (MFN) duty beginning on April 1, 1985, on imports of certain alloy tool steels generally defined as chipper knife steel. The column 2 (statutory) duty would not be affected by H.R. 4765. Imports of chipper knife steel normally are classified under Tariff Schedules of the United States (TSUS) item 606.93 with a column 1 duty of 8.3 percent ad valorem plus additional duties assessed on certain alloys contained in the steel. The duty on TSUS item 606.93 is being reduced in stages under agreements reached in the Tokyo Round of trade negotiations. On January 1, 1987, it will be 6 percent ad valorem plus additional duties. Chipper knife steel is not eligible for duty-free treatment under the U.S. Generalized System of Preferences.

The column 1 duty on chipper knife steel temporarily was reduced further in January 1983 by Pub. L. 97-446. Under that law, imports of chipper knife steel now enter under TSUS item 911.29 at a rate of 4 percent ad valorem. The column 1 duty will be 3.9 percent ad valorem on January 1, 1985, and continue at that rate until March 31, 1985, when the temporary tariff reduction expires. At that point, the ad valorem component of the column 1 duty will rise back to 7.5 percent unless this legislation is passed.

The increase that would take place on April 1, 1985, in the absence of this legislation, will lead once again to a tariff anomaly. The tariff on chipper knife steel, the raw material, will be higher than the tariff of 4 percent ad valorem on chipper knives, the finished product, that will be in effect on April 1, 1985. The negotiated rate of duty on chipper knives (TSUS 649.67), the finished product, is scheduled to decline to 3.7 percent ad valorem on January 1, 1987, still lower than the rate at that time for chipper knife steel.

Elimination of the duty on chipper knife steel after April 1, 1985, is not expected to have an adverse effect on domestic manufacturers of chipper knife steel. At the present time, there is no significant domestic production of this grade of specialty steel; therefore, it was exempt from specialty steel import quotas. While capacity to produce chipper knife steel may exist in a number of domestic alloy tool steel firms, most U.S. producers favor higher-profit steels and are unwilling to produce chipper knife steel.

Chipper knife producers are largely dependent on imports to meet their raw material requirements. Elimination of the duty on chipper knife steel would contribute toward the efforts of the domestic chipper knife industry to reduce costs and increase its competitive position against foreign producers of these knives. Chipper knife producers also will be able to undertake long-range planning for production, investment, and supply decisions, uninhibited by the short-term, temporary duty reductions.

We estimate revenue loss from enactment of H.R. 4765 at about $122,000, based on 1983 imports. Enactment of H.R. 4765 would have no impact on the revenues or administrative costs of this Department.

We have been advised by the Office of Management and Budget that there would be no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

Sincerely,

Irving P. Margulies
General Counsel

Trade

SIMONDS

Simonds Cutting Tools
Intervale Road
P.O. Box 500
Fitchburg, Mass. 01420
Tel. (617) 343-3731

A HOUSEHOLD
INTERNATIONAL COMPANY

July 13, 1984

Roderick A. De Arment, Esq.
Chief Counsel, Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, DC 20510

Re: S.2288 Chipper Knife Steel

Dear Mr. De Arment:

In response to press release #84-154 of the Subcommittee on International Trade, we wish to submit the following comments on S.2288.

We ask that you approve S.2288, a bill that would permanently suspend the collection of customs duties on chipper knife steel, a raw material that we cannot obtain from domestic sources.

Twice within the past four years, Congress has passed temporary legislation that has lowered the rate of duty on chipper knife steel. The current duty reduction legislation expires in March 1985.

Senator Levin, for himself and for Senator Reigle, recently introduced S.2288, which would effect a permanent solution to this issue. Investigations by the Congress and by the Executive Branch have repeatedly found that, if we cannot obtain chipper knife steel from abroad at the lowest possible price, we will not be able to continue to manufacture wood chipping knives in this country. Enactment of S.2288 will not only protect American jobs and investment in our state, but will allow us to plan for future expansion of our facilities.

The House Trade Subcommittee recently approved HR 4765, the counterpart to S.2288, and the Executive Branch has indicated that it does not oppose this legislation. For the benefit of Simonds, its workers, and its customers in the forest products industry, we respectfully ask you approve S.2288 before the current temporary duty reduction on chipper knife steel expires.

Sincerely yours,

Frank J. Martin

nb

Frank J. Martin
President

Kalamazoo College

Kalamazoo, Michigan 49007

July 16, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219, Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Kalamazoo College requests that import tariffs be waived on the eight Kalamazoo College Bells for the following reasons.

These bells provide a unique educational opportunity for our students; they are learning tools in the same sense as any other musical instrument. The type of ringing performed with these bells is known as "change ringing," and has strong relationships to mathematics as well as music. In fact, change ringing gained popularity on our campus in the late 1970s as an exercise in the study of mathematics. Although used primarily by Kalamazoo College students, it should be noted that instruction on these bells is open to the general public, and specifically to the students of the other colleges in our community, including those at adjacent Western Michigan University.

If the tariff is waived, Kalamazoo College will apply the funds that would have been spent on the tariff to help provide for the education of America's young people.

In recognition of the educational nature of the bells and so that the College may apply these funds toward meeting the educational needs of our students, we respectfully request that the tariff be waived. Thank you.

Sincerely,

Thomas M. Ponto
Business Manager and Comptroller

TMP:ps

The Bells of Kalamazoo College

On June 2, a new ring of eight English tower bells will be dedicated at Stetson Chapel on the campus of Kalamazoo College, Kalamazoo, Michigan. This new set of bells will not be hung as a carillon nor as a chime. They will instead be mounted in frames that permit rotation through a full 360 degrees so that the ancient, intricate art of change ringing can be practiced. Almost all church towers in England have a set of change ringing bells, but there are at present only 15 such towers in the United States (Kalamazoo's will be the 16th).

The bells and their fittings were fabricated at the historic Whitechapel Bell Foundry in London, a firm that has been doing business at 32 Whitechapel Road since 1570. This was the founding site of the Liberty Bell, the bells of Westminster Abbey, and much more recently, the bells of the Washington National Cathedral. The Kalamazoo College Bells can be expected to outlive their builders, and Stetson Chapel itself, many times over.

Stetson tower has ample structural integrity to withstand the forces generated by the two tons of swinging bronze. A new floor is being installed at about the level of the chapel roof line to support the bells and their frames. The sound will exit through the large louvers, about 40 feet above at the top of the tower. Openings in the two intervening concrete floors will be equipped with sound-tight doors, which can make the bells inaudible to those outside the chapel. As a result of this essential feature, practice sessions will not disturb students on campus or neighbors in the community.

Ropes, one for each bell, will fall 30 feet into the rotunda at ground level. There, with their brightly colored *"sallies,"* they will make an interesting display when at rest, and will provide a dramatic presentation of change ringing when in use.

The Kalamazoo College Bells will summon people to services at Stetson Chapel, announce important events on campus and in the city, and mark occasions of collective rejoicing or sorrow. They will be heard regularly, but briefly, announcing the College's chapel service each Friday morning, and can be expected to ring out for weddings throughout the year. Also, on New Year's Day, they will carry on the rich tradition of ringing in the new.

The bells will be rung by members of the Kalamazoo College Guild of Change Ringers, an organization that has been studying and practicing change ringing on handbells for the past six years. This group is made up largely of College students and faculty, but there is hope that the appeal of the new tower will reach out into the Kalamazoo area community and attract a broader membership for the Guild. The Kalamazoo College Bells, which speak so strongly to the continuity and shared values in our lives together, are truly a community acquisition. Every effort is being made to guarantee that, like our parks, our libraries, and our educational institutions, they can be used for the satisfaction and enjoyment of us all.

About the Bells

On October 4, 1983, in the Whitechapel Bell Foundry in London, England, a special bronze alloy was melted and poured to form the Kalamazoo College Ring of Eight Bells. In the same building where most of the world's famous bells of the last 500 years came to life, the new eight and their fittings were fabricated to precise specifications. Each of the bells bears the Kalamazoo College motto, *"Lux Esto"* (Let there be light). In the rich tradition of such bells, each is also named for a person associated with the College during its first century, and carries a Biblical inscription selected as representative of that person.

The smallest of the bells, the treble, measures 23 inches in diameter and weighs 334 pounds. The largest bell, the tenor, is 3 feet in diameter and weighs slightly over half a ton. The total weight of the eight bells, not including their fittings, is 4,360 pounds, or more than two tons.

After they were cast, the bells were carefully tuned to bring their overtones into harmonic agreement. Despite their bulk, these are precision musical instruments which will endure with tonal integrity, and with virtually no adjustments necessary, well into the next millenium. The eight bells form an octave in A Major.

Private donations from many friends of the College, made specifically for this project, covered the full $45,000 cost of manufacturing the bells and their fittings. Private donations are also expected to cover the costs of installation. Once installed, the cost to the College for maintaining the bells will be nominal, since the bells themselves are virtually maintenance-free. The bell ropes will require replacement about once every four years, but those costs are traditionally covered through small gifts made by those who have the bells rung at their wedding. In short, this marvelous addition to the community did not use general operating revenues of the College, and will not require them in the future.

Treble Bell

diameter: 23" weight: 334 lbs. note: A

Named for *Lucinda Hinsdale Stone*, first principal of the "Female Department" at Kalamazoo College and national pioneer in women's education. Together with her husband, J.A.B. Stone, she strove to provide progressive education for both men and women.

Biblical inscription: *She openeth her mouth with wisdom* (Proverbs 31:26)

2nd Bell

diameter: 23-5/8" weight: 360 lbs. note: G#

Named for *James A. B. Stone*, first president of Kalamazoo College. He led the foundering young College from near extinction to stability, and created the tradition of excellence in teaching at Kalamazoo.

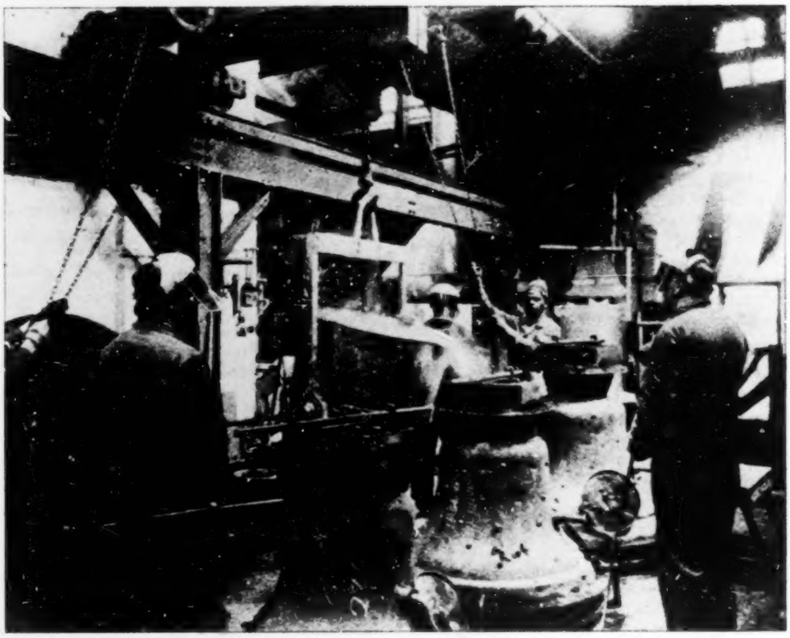
Biblical inscription: *And the light shineth in darkness* (John 1:5)

3rd Bell

diameter: 24-3/4" weight: 392 lbs. note: F#

Named for *Modelon Stockwell*, the first woman graduate of the University of Michigan. She began her college education at Kalamazoo and was supported for entry at the University by her mentor, Lucinda Hinsdale Stone.

Biblical inscription: *O sing unto the Lord a new song* (Psalm 98:1)



The Kalamazoo College Bells are cast at Whitechapel Bell Foundry, October 4, 1983.

4th Bell

diameter: 26''   weight: 414 lbs.   note: E

Named for *Thomas W. Merrill*, Baptist minister and co-founder of Kalamazoo College. He created the mission of the College, and provided its Baptist heritage.

Biblical inscription: *He hath done marvelous things* (Psalm 98:1)

5th Bell

diameter: 28''   weight: 512 lbs.   note: D

Named for *Jeremiah Hall*, who gave invaluable support to the fledgling College as a pastor of the First Baptist Church of Kalamazoo.

Biblical inscription: *Praise ye the Lord* (Psalm 106:1)

6th Bell

diameter: 29-1/2''   weight: 556 lbs.   note: C#

Named for *Titus Bronson*, first permanent settler in the Kalamazoo area. The City of Kalamazoo was originally known as the Village of Bronson.

Biblical inscription: *Every valley shall be exalted* (Isaiah 40:3)

7th Bell

diameter: 32-1/2''   weight: 768 lbs.   note: B

Named for *Arthur Gaylord Slocum*, the 6th president of Kalamazoo College (1892-1912). He came to office in one of the darkest periods in the College's history, and through his leadership increased the the enrollment and endowment, and brought national recognition to this small College in Michigan.

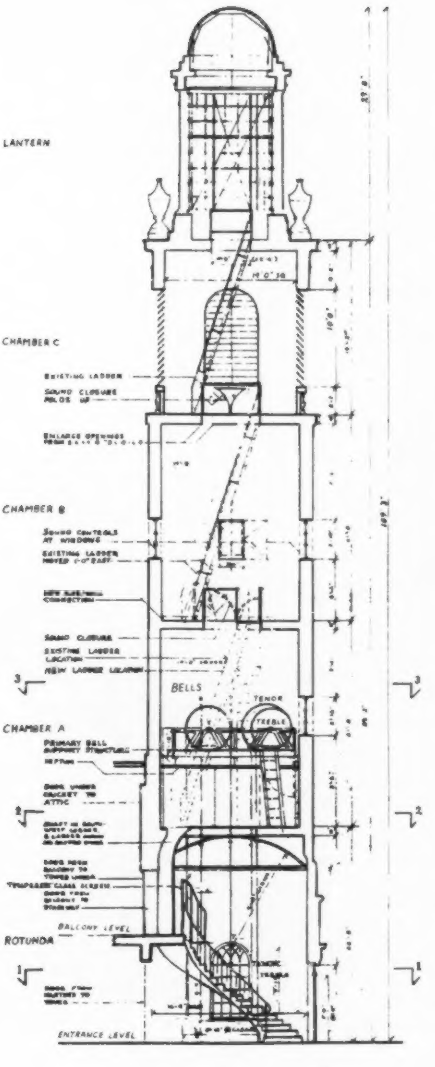
Biblical inscription: *How lovely is thy dwelling place* (Psalm 84:1)

Tenor Bell

diameter: 36''   weight: 1,024 lbs.   note: A

Named for *Caleb Eldred*, co-founder of Kalamazoo College. He secured the first charter for the institution and served for more than 30 years as the first chairman of the Board of Trustees

Biblical inscription: *God is our refuge and our strength* (Psalm 46:1)



Stetson Tower

Stetson Chapel was completed in 1932 as part of the centennial celebration of the founding of Kalamazoo College, April 22, 1833. The Chapel is named in honor of Herbert Lee Stetson, the 7th president of the College (1912-22), and has served for more than half a century as the spiritual center of the College community in both the religious and nonreligious sense.

The chapel accommodates an audience of 600 and is used throughout the year for religious services, weddings, musical performances, and addresses by prominent speakers. It is the site of the College's weekly chapel service, held beginning at 10 a.m. each Friday. Stetson Chapel is also the traditional site of such major events in the life of the College as presidential inaugurations and Baccalaureate services.

Stetson Chapel's classic Georgian architecture is beautifully appointed, undoubtedly one of the area's most attractive buildings. However, its most remarkable feature is the adjoining tower which rises more than 100 feet, the equivalent of a ten story building, above the campus quadrangle. Situated on a hill overlooking downtown Kalamazoo, Stetson tower is believed to be the highest structure in the city. The lantern atop the tower, with its distinctive gold dome, may be seen from distances of many miles away throughout Kalamazoo County.

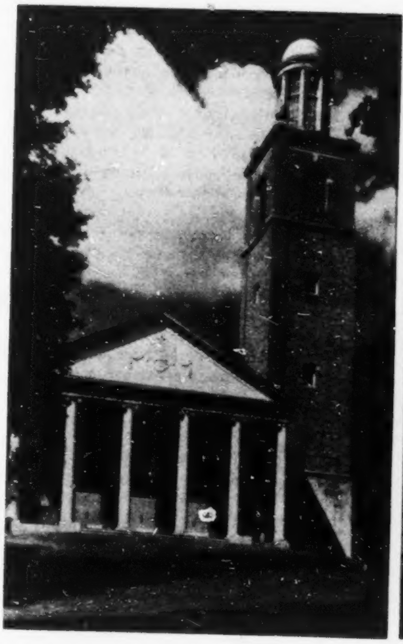
The rotunda at the base of the tower contains symmetrically opposing spiral stairways to the balcony level of the chapel. Above the rotunda are three chambers, each separated by a steel-reinforced concrete floor. The rotunda and chambers are of approximately equal dimension, each measuring about 14 feet square (inside), and roughly 19 feet high. The lantern at the top of the tower, including the dome, is 29 feet high, and approximately 12 feet in diameter.

Close inspection of the tower's construction reveals remarkable precision on all dimensions. The chambers are near-perfect squares, with less than 0.7" variation over the entire height of the tower.

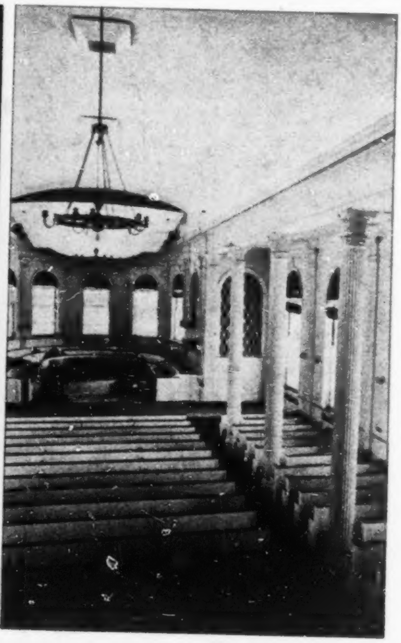
The tower is also remarkable in terms of its formidable construction. The walls of the tower are made of multiple layers of brick, 16 inches thick, with double courses at each of the corners. The reinforced concrete floor of each chamber is tied into the walls. A thorough engineering survey of the tower in 1982, fifty years after it was completed, revealed that the tower proper was still completely sound. Only the lantern was found to be in need of relatively minor structural repair.

The exceptional construction of Stetson tower poses an unsolved mystery. The tower is built with far greater strength and precision than required for its previous role as a land-locked lighthouse. It is perfectly proportioned and more than adequately constructed for a ring of six or eight English tower bells. Further, the large louvers at the top of the tower serve no purpose aside from decorative, in the absence of bells. Every detail of the construction suggests only one conclusion — Stetson tower was built to be a bell tower. However, in all the histories of the College, published and unpublished, in all the records of that period, and in the complete architectural plans of the building, there is absolutely no mention anywhere of any plans to put bells in the tower.

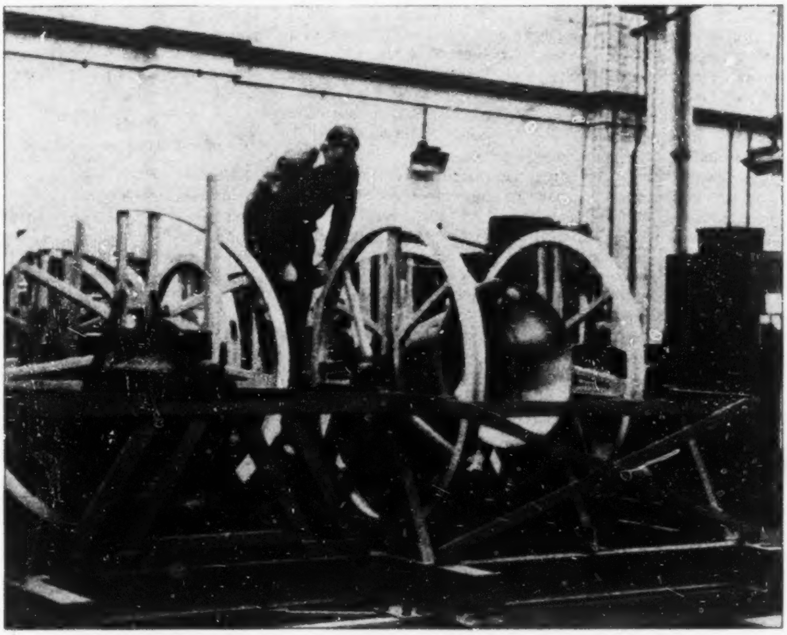
At the time Stetson Chapel was designed, there were only seven English bell towers in the United States. It was hardly the fad of the 1930s. Did the designers of Stetson Chapel intend it to be used as an English bell tower? We will probably never know the answer to that question, but we may be grateful for Stetson tower. It is the perfect home for the Kalamazoo College Bells.



Stetson Chapel, built in 1932



Interior view of Stetson Chapel



The Kalamazoo College Bells are tested in their fittings at Whitechapel Bell Foundry, London, England, in November, 1983

Change Ringing

Change ringing is one of the least common and most dramatic ways of making music in North America. It produces a powerful yet controlled cascade of sound from large, carefully tuned swinging bells. Although it is practiced in over 5,000 English churches, it is little known outside Britain and remains a mystery even to many who have heard its music pealing from one of the growing number of North American bell towers.

Chiming bells (swinging them through a short arc using a rope or lever) goes well back into the Middle Ages, but it was not until the 1600s that ringers developed the full wheel which allowed enough control for orderly ringing. In 1668, Fabian Stedman, a Cambridge (England) printer, published *Tintinnalogia—or the Art of Change Ringing*, containing all the available information on systematic ringing. The theory of change ringing set forth by Stedman has been refined in later years, but remains essentially unchanged today.

The British brought change ringing to their American colonies, installing bells in Boston, Charleston, and Philadelphia in the 1700s. At Old North Church in Boston, Paul Revere joined the first band of ringers. After the revolution, change ringing died out in the new United States. A revival occured around 1900 with the installation of several rings in the U.S. and Canada, but by mid-century only a few towers had active change ringing bands. The installation of two new rings in Canada in the 1950s and of the great ring in the Washington National Cathedral in 1964 sparked a revival which has continuously gathered momentum.

Today there is more change ringing in North America than ever before. The North American Guild of Change Ringers, with which the Kalamazoo College Guild is affiliated, has grown to more than 300 members. Nearly every tower now has a regular band, and record numbers of beginners are learning the art.

Change ringing differs from other forms of bell ringing—most notably carillon playing—by the way the bells are rung. The bells in a carillon hang stationary, their clappers connected by wires to a console from which a single person can command the entire instrument. A change ringing bell, on the other hand, swings full circle each time it rings. The harmonic richness of a swinging bell cannot be matched by the same bell hanging stationary, but a swinging bell requires one ringer's full attention. Ringing such bells in a precise relationship to one another—the essence of change ringing—is perforce a group activity.

A *"ring"* of change ringing bells may contain four to twelve bells. All of the North American rings contain 6 or 8 or 10, with 8 bells the most common. The bells are arranged in a frame so that their ropes fall in a circle in the ringing chamber below. Into each rope is woven a three-foot-long tuft of brightly colored wool, a *"sally"*, which marks the spot at which the ringer must catch the rope while ringing.

Although tower bells are quite heavy, little energy is required to ring one because the bells are precision balanced and employ low-friction bearings. Change ringing is a test not of strength, but of coordination and concentration. There are ringers under twelve years-old and over ninety who have taken part in a full three-hour peal of continuous ringing.

Swinging bells have great momentum and will not wait to be rung when particular notes are needed in a musical score. However, they can be brought to follow one another in consistent order, each ringing once before the first rings again. Rung in order from the lightest (the treble) to the heaviest (the tenor), the bells strike in the row known as *"rounds."*

1 2 3 4 5 6 7 8

Ringing changes requires slowing down some bells and speeding up others to vary the striking order. The rules of change ringing call for no bell to move more than one position at a time, though more than one pair can change places.

1 2 3 4 5 6 7 8
2 1 4 3 6 5 8 7
2 4 1 6 3 8 5 7

To ring a new change with each pull of the ropes, ringers memorize paths known as *"methods"* prescribing which pairs will trade places at each column. The greater the number of bells, the greater the number of possible combinations. *With eight bells, such as at Kalamazoo College, there are 40,320 different changes which can be rung!*

Change Ringing on Hand Bells

Change ringing extends quite naturally from tower bells to hand bells. Although change ringing on hand bells started as a means of practicing ringing outside the tower, it is now carried on for its own sake, and peals rung by hand command the same respect as those rung on tower bells.

Kalamazoo College has a 40-year history of change ringing with hand bells. Dr. Edward Hinckley, a professor of English and dean at the College, led students in the intricate art of change ringing during the 1940s. However, until the late 1970s, change ringing at Kalamazoo was sporadic at best, and nonexistent for long periods. In 1977, Dr. T. Jefferson Smith, professor of mathematics, revived interest in change ringing. In the years since, the College has purchased two sets of hand bells, more than 100 students have participated as members of the Kalamazoo College Guild, and change ringing has become a regular part of life on campus.

Information on change ringing was edited from the publication, "Change Ringing," published by the North American Guild of Change Ringers.

Bell Towers in the United States

Boston, Massachusetts
Church of the Advent
bells founded 1900
8 bells, tenor 2163 lbs

Boston, Massachusetts
Old North Church
bells founded 1744
8 bells, tenor 1596 lbs

Brewster, New York
Melrose School
bells founded 1973
8 bells, tenor 910 lbs

Chicago, Illinois
University of Chicago
bells founded 1908
10 bells, tenor 2443 lbs

Groton, Massachusetts
Groton School
bells founded 1901
10 bells, tenor 2036 lbs

Henderson, North Carolina
St. James' Church
bells founded 1978
8 bells, tenor 984 lbs

Hingham, Massachusetts
Memorial Tower
bells founded 1912
10 bells, tenor 2203 lbs

Houston, Texas
St. Thomas' Church
bells founded 1971
7 bells, tenor 791 lbs

Kalamazoo, Michigan
Kalamazoo College
bells founded 1983
8 bells, tenor 1024 lbs

Kent, Connecticut
Kent School
bells founded 1930
10 bells, tenor 2790 lbs

New Castle, Delaware
Immanuel Church
bells founded 1973
6 bells, tenor 427 lbs

Northampton, Massachusetts
Smith College
bells founded 1968
8 bells, tenor 980 lbs

Philadelphia, Pennsylvania
St. Martin-in-the-Fields Church
bells founded 1980
8 bells, tenor 512 lbs

Washington, D.C.
The National Cathedral
bells founded 1964
10 bells, tenor 3588 lbs

Washington, D.C.
Old Post Office Tower
bells founded 1976
10 bells, tenor 2953 lbs

Watertown, Massachusetts
Perkins School for the Blind
bells founded 1912
8 bells, tenor 2464 lbs

Bell Towers in Canada

Calgary, Alberta
Mission City, British Columbia
Quebec, Province Quebec (two)
Vancouver, British Columbia
Victoria, British Columbia

Change Ringing Hand Bell Guilds

Atlanta, Georgia
Denver, Colorado
Ithaca, New York
Kalamazoo, Michigan
Muncie/West Lafayette, Indiana
Salt Lake City, Utah
Tallahassee, Florida
Toronto, Ontario, Canada
Whippany, New Jersey

Join the Celebration

On Saturday, June 2, a band of highly skilled ringers from throughout North America will assemble to attempt the first successful peal of the Kalamazoo College Bells. Festivities will begin with a brief dedication ceremony in Stetson Chapel, tentatively scheduled to start at noon. Other plans for the day will be announced through the media as we draw closer to the dedication. Plan to attend this unique event.

Kalamazoo College Kalamazoo, Michigan 49007 USA

CALGON
CORPORATION

SUBSIDIARY OF MERCK & CO., INC.

CALGON CORPORATION CALGON CENTER BOX 1346 PITTSBURGH, PA 15230 (412) 777-8000

Writer's Direct Dial Number
412/777-8183

July 18, 1984

Roderick Armen
Chief Counsel
Committee on Finance
Dirksen Office Building
Room SD-219
Washington, D.C. 20510

Re: H.R. 4790 Introduced by Rep. Clinger
To Suspend for 3 Years the Duty on
8+5 Hydroxyquinolines

Dear Mr. Armen:

I, Joseph A. Fischette, Senior Attorney for Merck & Co., Inc. of Rahway, New Jersey, hereby submit the following comments on behalf of Calgon Corporation of Pittsburgh, Pennsylvania, a wholly-owned subsidiary of Merck & Co., Inc. concerning H.R. 4790.

It is the position of both Merck & Co., Inc. and Calgon Corporation, its subsidiary, that H.R. 4790 introduced by Representative Clinger will have an adverse impact upon both Merck & Co., Inc. and Calgon Corporation. Merck & Co., Inc., through its subsidiary Calgon Corporation, is a domestic manufacturer of crude 8+5 hydroxyquinoline; and thus, would be severely impacted by the elimination of import duties on foreign crude 8+5 hydroxyquinolines.

I may be reached at 412/777-8183. My address is Calgon Corporation, P.O. Box 1346, Pittsburgh, Pennsylvania 15230. Mr. Theodore Zierden, Calgon's Business Director of the Specialty Chemicals Group may be reached at 412/777-8783. Mr. Zierden's address is Calgon Corporation, P.O. Box 1346, Pittsburgh, Pennsylvania 15230. Both Mr. Zierden and myself will be available to answer any questions you may have concerning any issues raised in this letter.

Thank you for your cooperation in this matter.

Very truly yours,

CALGON CORPORATION

Joseph A. Fischette
Senior Attorney

JAF:klt

Ruetgers-Nease
Chemical Company, Inc. • A subsidiary of Rütgerswerke AG

Rütgers

P.O. Box 221
State College
Pennsylvania 16801

Phone: 814-238-2424
Cable: RUETGNEASE SCG
Telex: 510-670-3533

July 16, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room 5D-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Mr. Kent Logston of Senator Heinz' office asked me to submit to you written comment in support of Bill S-2517. I believe the attached copies of comments already submitted in support of HR-4790 summarize adequately our position.

Please note that in my letter of June 20, 1984 to the Honorable Mr. Gibbons, I suggested that a minor addition to the title of the Bill might clarify the desires and needs of Ruetgers-Nease. We do not seek nor intend any competitive threat to any U.S. chemical producer with this sought-for tariff relief. We seek only tariff relief on a very specific material, which we have been unable to obtain domestically. Further, this material is, and will be utilized by Ruetgers-Nease only in the production of Quinolinic Acid, of which we are the sole domestic producer, using a secret, patented process. We can anticipate no other use by other chemical companies of this mixture of 8- and 5-hydroxyquinolines.

Thank you for your interest in the business of Ruetgers-Nease. Please do not hesitate to contact me if I can provide any further clarification in support of this Bill.

Sincerely,

Robert D. Shepherd

Robert D. Shepherd
Manager, Marketing Research & Development

RDS/bct

Enclosures

Ruetgers-Nease
Chemical Company, Inc. • A subsidiary of Rutgerswerke AG

Rütgers

P.O. Box 221
State College
Pennsylvania 16801

Phone 814-238-2424
Cable RUETGNEASE SCG
Telex 510-670-3533

March 19, 1984

Mr. Marc Stanley
Administrative Assistant
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Marc:

Enclosed are six (6) copies of my statement to Mr. Salmon, as requested. Please let me know what else we might do, as things develop. Needless to say, Ruetgers-Nease and I are most appreciative of the continuing efforts of Mr. Clinger and yourself on our behalf.

Sincerely,

Robert D. Shepherd
Manager, Marketing Research
and Development

RDS/bct

Enclosures: 6

Ruetgers-Nease
Chemical Company, Inc. • A subsidiary of Rutgerswerke AG

Rütgers

P.O. Box 221
State College
Pennsylvania 16801

Phone: 814-238-2424
Cable: RUETGNEASE SCG
Telex: 510-670-3533

March 19, 1994

Mr. John J. Salmon
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Salmon:

This letter is in response to the request of the Honorable Sam M. Gibbons, Chairman, Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives for written comments on the miscellaneous trade and tariff bills, as presented in the press release of March 12, 1994.

1) I am writing in support of H.R. 4790 submitted by Mr. Clinger: to suspend for three years the duty on crude 8+5 hydroxyquinolines. My name, title, and affiliation are:

Robert D. Shepherd
Manager, Marketing Research and Development
Ruetgers-Nease Chemical Company, Inc.
201 Struble Road
State College, PA 16801
Phone: 814-238-2424 (Ext. 63).

2) This statement is submitted in behalf of my employer, Ruetgers-Nease Chemical Company, Inc.

3) Ruetgers-Nease Chemical Company is requesting a three-year suspension of duty on a crude mixture of 8+5 hydroxyquinoline, the principal raw material which we use to produce a new chemical called quinolinic acid. The State College, PA plant of Ruetgers-Nease is the only U.S. producer of this chemical, which is used by other chemical companies to manufacture two important new chemicals. However, we face serious competition from low-priced imports, and the requested duty suspension on a raw material represents the difference between continued, growing production and complete loss of this new business.

Background: Ruetgers-Nease is a small company with company headquarters, Research and Development and principal production facilities in State College, PA. We also have small plants in the Cincinnati, OH area and in Augusta, GA.

Research on a new chemical product, known as quinolinic acid, was begun in 1980. Late in 1981 we were able to elicit serious interest from potential customers, and a year later began small scale production. Early last year we began full scale production here at our State College plant.

This chemical is now being used by our customers to make a unique pigment, and a pesticide -- both new products.

The principal raw material which we use in our process is a relatively inexpensive crude grade of 8-hydroxyquinoline, which contains substantial amounts of the 5-isomer, as well as the 6- and others. Ruetgers-Nease contacted the U.S. producers of 8-hydroxyquinoline and attempted to obtain this product from them, but they were unable to provide it for us. In all probability, it was simply uneconomic for them to produce a moderate quantity of a crude mixture and sell it to us for less than half the 8-hydroxyquinoline price.

At length, we were able to locate a source of this material in Europe, available to us at a cost which apparently made the quinolinic acid project economically viable (about $3 per pound, plus freight and duty). We were paying a duty of 13.6% ad valorem plus 1.7 cents per pound under TSUSA No. 407.16. During the latter part of 1983, we were informed by the Customs Service that this material had been reclassified, to TSUSA No. 506.4000, and that we would be retroactively charged a duty of 16.2% ad valorem, plus 1.7 cents per pound.

There are no other U.S. producers of quinolinic acid, and we are unaware of any plans by other chemical firms to enter that marketplace. However, even as we perfected our process and product during 1983, low-cost foreign competition developed, one located in the Netherlands, the other in Japan. Using different processes, and operating under different economic conditions, they are able to offer our customers quinolinic acid at very competitive pricing. Furthermore, they pay a duty of only 13.5% ad valorem, under TSUSA No. 406.42.

It would be of very great importance to Ruetgers-Nease to have the duty on crude 8+5 hydroxyquinoline suspended for three years, as in all probability such relief represents the difference between continuation of a successful new venture and the total loss of this business, in under one year, to imports. We believe it would also benefit our customers to have a strong, competitively priced U.S. supplier of quinolinic acid; but if we fail to obtain this tariff relief, the price differential would be too high for our customers to absorb.

If we are granted this tariff relief, our imports of the crude 8+5 hydroxyquinoline are expected to be roughly 1.5 million pounds over the three-year period; if not, our imports of this material will probably be zero.

Rütgers

Mr. John J. Salmon
U.S. House of Representatives
March 19, 1984
Page 3

If I may be of any further assistance in explaining our situation, please do not hesitate to contact me.

Sincerely,

Robert D. Shepherd
Manager, Marketing Research
and Development

RDS/bct

Ruetgers-Nease
Chemical Company, Inc. • A subsidiary of Rutgerswerke AG

Rütgers

P.O. Box 221
State College
Pennsylvania 16801

Phone: 814-238-2424
Cable: RUETGNEASE SCG
Telex: 510-670-3533

June 20, 1984

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
U.S. House of Representatives
111 Longworth Building
Washington, D.C. 20515

Dear Mr. Gibbons:

On February 8, 1984 the Honorable William F. Clinger introduced H.R. 4790, a Bill to suspend for three years the duty on crude 8+5 Hydroxyquinoline. This Bill was referred to the Committee on Ways and Means.

Since that time, Mr. Marc Stanley of Mr. Clinger's Office has kept me informed of the progress of this Bill. Some time ago he informed me that Calgon Corporation had raised an objection to this legislation on the grounds that they manufacture said material and would be injured by a suspension of duty on it. During several telephone conversations with Mr. Stanley, with Mr. Ed Cappuchilli of the International Trade Commission, and with Mr. Larry Gendrusch of your office, I have attempted to explain that Calgon would in fact not be injured by this Bill, as they do not produce the material we need, and we would not import and resell 8+5 crude Hydroxyquinoline in competition with the similar materials which they do produce, and market.

Upon further analysis of the situation today, it occured to me that the Bill might be clarified by changing the title, and the new item amendment of the Tariff Schedules as follows: To suspend for three years the duty of crude 8+5 Hydroxyquinolines (containing a minimum of 20% of 5-Hydroxyquinoline). The underlined phase is the change to the title, and the new item in the Tariff Schedule.

It is our understanding based on direct conversation with officials of Calgon, that they do not produce a crude 8+5 Hydroxyquinoline containing at least 20% of the 5-isomer, and that they sell only the 8-isomer. Ruetgers-Nease needs a raw material with at least 20% of the 5-isomer because the chemical we produce from it is then sold to and utilized by another U.S. Corporation in the production of a federally regulated material. It is quite possible that a change in our raw material would result in the necessity for retesting under the lengthy and costly procedures of the involved regulatory agency. Any possible damage to the interests of Calgon should be eliminated by the changed title, as it clearly specifies a product which Calgon does not produce nor sell and for which there is no customer other than Ruetgers-Nease Chemical Company, Inc.

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade
U.S. House of Representatives
June 22, 1984
Page 2 of 2

The chemical which we produce from the crude 8+5 Hydroxyquinoline is known as Quinolinic Acid. Ruetgers-Nease Chemical Company remains the sole domestic producer, and we still have no reason to doubt that if we obtain this requested duty relief on our principal raw material, we can continue to be fully price competitive with imported Quinolinic Acid. Without this relief, however, we will almost certainly lose the business within one year, which will mean a significant loss of business for our Company, the loss of several jobs in Centre County, Pennsylvania, and another small increase in the negative balance of payments.

If I can be of any further assistance in clarifying our position, please do not hesitate to contact me.

Sincerely,

Robert D Shepherd

Robert D. Shepherd
Manager, Marketing Research
and Development

RDS:sym/saw

cc: Mr. Ed Cappuchilli
Mr. Marc Stanley

COMEX COMMODITY EXCHANGE, INC., FOUR WORLD TRADE CENTER, NEW YORK, N.Y. 10048 • (212)938-2900

Office of the President

July 17, 1984

Mr. Roderick A. DeArment
Chief Counsel
Senate Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, DC 20510

Re: S. 2340 - Copper Environmental Equalization Act of 1984

Dear Mr. DeArment:

Commodity Exchange, Inc. ("COMEX") welcomes this opportunity to comment on S. 2340, the "Copper Environmental Equalization Act of 1984."

COMEX, the world's largest copper market, opposes increasing duty on imported copper called for in S. 2340. Restrictions, whether quotas, tariffs, or orderly market agreements, would threaten the employment of thousands of copper users, possibly bring about retaliatory restrictions by foreign countries on U.S. exports, and do little toward reducing the real problems facing U.S. copper producers. They would also threaten the viability of COMEX's copper futures market.

COMEX is the world's most active metals market and the only copper futures market in the world. The COMEX copper contract, which has been trading for more than 50 years, is an essential pricing and risk management tool utilized by nearly every segment of the U.S. copper industry. Today, virtually every domestic transaction is reflective of COMEX's trading activity. Any impairment of this facility would be detrimental to all segments of the copper industry.

A futures market functions on the principle of arbitrage, in which freely competing buyers and sellers of a commodity can make or take delivery on the futures exchange should they believe that futures prices are diverging from the true economic value of the underlying commodity. The resulting market pools the liquidity of an entire industry to create a means of risk management, or hedging, and also provides information about the price of the underlying commodity to observers within and outside the industry.

While COMEX appreciates the serious problems of the U.S. copper producers, the Exchange does not believe that increasing duty on imports will bring about material relief to the industry. Tariffs will create a two-tier price structure, with copper for U.S. delivery costing more than "world copper." Users of copper would import the less expensive fabricated and semi-fabricated forms from overseas sources. Thus, U.S. fabricators would be forced out of the competitive market. American workers would face unemployment in the copper, brass, and fabricated products industries.

The problems facing the U.S. copper producers are internal and not import-induced. The imposition of quotas, tariffs, or orderly market agreements would only temporarily isolate domestic producers from world market conditions and would be a disincentive for them to develop and adapt new technologies that might reduce operating and production costs where possible. Establishing restrictions on copper may affect other U.S. industries by inducing foreign countries to retaliate with restrictions on U.S. exports.

COMEX urges the Members of the subcommittee on International Trade to give long and serious attention to any measure which calls for restrictions on unwrought copper.

Thank you for your consideration of our comments.

Very truly yours,

Alan J. Brody
President

AJB:lk

INDEPENDENCE MALL WEST PHILADELPHIA, PA 19105, U.S.A. TELEPHONE (215) 592-3000
CABLE ADDRESS ROHMHAAS TELEX 845-247 TWX 710-670-5335

ROHM AND HAAS COMPANY

July 16, 1984

Roderick A. DeArment, Chief Counsel
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Re: S. 2426

Dear Mr. DeArment:

Attached are five copies of Rohm and Haas Company's comments on S. 2426.

We appreciate the opportunity to provide you with our comments on this bill. Please let me know if you or your staff have any questions on our submission or would like to discuss our comments in more detail.

Yours sincerely,

A. J. Spilner
Manager, Trade Issues
Government Relations
215/592-3644

cc: Mr. William Reinsch
Legislative Assistant
Senator H. John Heinz, III
277 Russell Senate Office Building
Washington, DC 20510

AJS:bjf
Attachment

ROHM AND HAAS COMPANY'S COMMENTS ON

S. 2426

SUMMARY

Rohm and Haas Company (the Company) is a multinational manufacturer of chemicals and plastics with principal offices in Philadelphia, Pennsylvania.

The Company imports mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate as a proprietary line of chloromethylisothiazolinone based biocides which it sells under the trademark KATHON.

KATHON biocides are used in a wide variety of applications ranging from that of a preservative for cosmetics and household chemicals to a slimicide in paper mills and in industrial recirculating-water cooling towers. They are in demand because they are slow acting and long lasting, and are effective at extremely low use levels compared to competitive biocides.

There are no commercial manufacturers of cloromethylisothiazolinone based biocides in the United States.

Prior to importation beginning in September 1983, KATHON products were manufactured in the Company's Philadelphia Plant Semi-works. At maximum output, a total of twenty-one hourly employees were involved in the production of KATHON. Of these, eight remain assigned to the Semi-works. The other thirteen have been reassigned to other jobs or promoted to non-exempt jobs. Thus, no jobs were lost when production was transferred overseas.

The revenue that would be foregone by enactment of S. 2426 is estimated to total approximately $3MM from the first importation in 1983 through 1986.

RECOMMENDATION

We support S. 2426 to suspend the duty on choloromethylisothiazolinone based biocides since these products are not manufactured in the United States and they are in demand by U.S. industry for a wide variety of applications in which they have demonstrated superior cost effectiveness.

AJS:bjf

ROHM AND HAAS COMPANY'S COMMENTS ON

S. 2426

- a bill to provide for the temporary suspension of the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate.

Product Description and Composition

Kathon ®* Biocides

	Kathon 886F	Kathon CG
5-chloro-2-methyl-4-isothiazolin-3-one[1]	10-11%	1.05-1.25%
2-methyl-4-isothiazolin-3-one[2]	3-4%	0.25-0.45%
magnesium chloride[2]	8-9%	0. 5-1.0%
magnesium nitrate[3]	15-17%	21-23%
water	60-62%	74-77%

[1] active ingredient

[2] reaction by-product

[3] stabilizer

* Kathon is a registered trademark of Rohm and Haas Company.

Typical End Uses

Kathon 886F	-	preservative for metal-working fluids, water-based paints and other latex polymers; slimicide for paper and pulp mills; prevention of growth in oil and gas-field injection water and in industrial recirculating-water cooling towers and air washers
Kathon CG	-	preservative for cosmetics, toiletries, floor polishes, fabric softeners, dishwashing liquids

Product History

First sale outside the United States	-	1974
First sale in the United States	-	1976

Location for Production Facilities

Jarrow, U.K. - at Rohm and Haas U.K., a wholly-owned subsidiary of Rohm and Haas Company (USA)

Dedicated new world scale plant at Jarrow started up in the 3rd Quarter of 1983.

Production in semi-works at Rohm and Haas Company's Philadelphia, PA plant to be discontinued in the 1st Quarter of 1984. Demand outran capacity, necessitating construction of new facilities. Semi-works continues in service for scale-up projects and production of limited volume chemicals.

Other Manufacturers

None - domestic or foreign.

Patent coverage in the United States and in major western countries extends into the 1990's (Exhibit A).

Raw Material Sources

	Source	Share of U.S. Capacity* Used When Production of Kathon Products was Based in the United States
methyl 3 mercaptopropionate	U.K. & U.S.	< 2%
monomethyl amine	Non-U.S.	< 0.2%
chlorine		< 0.1%
magnesium oxide		< 0.1%
magnesium nitrate		< 1%

* Based on world market for Kathon products in 1983. U.S. market for Kathon products is less than 50% of world market.

Customer Need

Kathon biocides are in demand because they are slow reacting, long lasting and effective at extremely low use levels compared to competitive biocides. These benefits result in:

- significant cost/performance advantages over competitive biocides
- less potential for hazard to people due to contact with finished product formulations incorporating Kathon
- less potential for environmental hazard
- less potential for disturbing the esthetics (color and/or odor) of finished product formulations, as in cosmetics

Competitive Products

There is a wide variety of biocides in use today. None offer the customer the advantages of Kathon, as outlined above. Effectiveness at low use levels is a particularly important factor in the customer's choice of biocide. A comparison of recommended use levels for Kathon and competitive biocides in several major applications is shown in Exhibit B.

Present Tariff Classification

Item 432.25 TSUS - Mixtures not specially provided for: Other: Other:

Duty Rate

7.9% ad valorem - the highest rate applicable to any component in Kathon - from item 425.52 TSUS; Nitrogenous compounds: Other: Other:

Revenue Impact of Proposed Suspension of Duty

Duties first payable when imports of Kathon began (September 1983) would be foregone.

There would be no revenue impact of the proposed suspension of duty compared to the situation prevailing when Kathon products were manufactured exclusively in the United States (1974 through August 1983).

Kathon products and the active ingredients in Kathon products were manufactured and sold in the United States from 1974 through August 1983 without payment of duty. Kathon was first imported into the United States in September 1983.

EXHIBIT A

ROHM AND HAAS COMPANY

PRINCIPAL UNITED STATES PATENTS COVERING 5-CHLORO-2-METHYL-4-ISOTHIAZOLIN-3-ONE AND ITS SELECTED END USES

Patent Number	Expiration Date	Subject
3,761,488	9/25/90	3-isothiazolone compounds
4,105,431	8/08/95	Biocidal compositions and uses
4,234,403	1/06/98	Coatings containing 3-isothiazolones
4,279,762	7/21/98	Cutting oils containing 3-isothiazolones
4,252,694	2/24/98	Cleaning compositions containing 3-isothiazolones
4,265,899	5/05/98	Cosmetic formulation containing 3-isothiazolones as biocides

EXHIBIT B

Page 1 of 2

COMPARISON OF RECOMMENDED USE LEVELS OF KATHON AND COMPETITIVE BIOCIDES

	Biocide			
Application	Product	Supplier	Type	Recommended Use Level (parts per million-active ingredient
Latex Emulsion Products	Kathon 886F	Rohm and Haas	non-benzenoid isothiazolinone	7-50
	Proxel CRL	ICI	benzenoid isothiazolinone	130-300
	formaldehyde	various	formaldehyde	500-1000
	Givgard DXN	Givaudan Chemical, Division of Hoffmann-LaRoche	formaldehyde releaser	250-1000
	Dowicil 75	Dow	formaldehyde releaser	500-4000
Metal-Working Fluids	Kathon 886F	Rohm and Haas	non-benzenoid isothiazolinone	3.5-175
	Bioban 1487	Angus	formaldehyde releaser	90-900
	Tris-Nitro	Angus	formaldehyde releaser	1000
	Grotan	Lehn & Fink	formaldehyde releaser	1250
Oil-Field Injection Water	Kathon 886F	Rohm and Haas	non-benzenoid isothiazolinone	0.5-5
	Ucarcide	Union Carbide	gluteraldehyde	12.5-50
	formaldehyde	various	formaldehyde	500-2000

EXHIBIT B

Page 2 of 2

COMPARISON OF RECOMMENDED USE LEVELS OF KATHON AND COMPETITIVE BIOCIDES

Application	Biocide Product	 Supplier	 Type	Recommended Use Level (parts per million-active ingredient)
Cosmetics Preservation	Kathon CG	Rohm and Haas	non-benzenoid isothiazolinone	3-15
	Dowicil 200	Dow	formaldehyde releaser	300-3000
	formaldehyde	various	formaldehyde	500-2000
	Parabens	various	phenolic	1000-3000

AJS/lfw
10/10/83

Washington Letter

BY JOHN FITZROY

THAT SHAMPOO RECALL

Store brands for such widely known chains as Adams Drug, Drug Guild, Filene's, Kerr Discount Drug Stores, J.C. Penney, Shopper's Drug Mart, Seaway Foods, Universal Cooperatives, and the Good Circle Division of Federated Stores (plus more than a dozen more) are included in what some FDAers are calling the largest such recall in recent history. Manufacturer of all these store brands is Pennex Products Co., Verona, Pa. and it altogether involves some 690,000 bottles of shampoo.

In an unusual press release issued late in April, FDA described the shampoos as "contaminated by bacteria that could infect scratched or cut skin or scratched eyes. Underlying cause, suggests The Rose Sheet (May 9), was concern about the potential dangers of formaldehyde, which has come under attack by consumerists in the past year. Pennex had been using formaldehyde in all the brands but switched to Kathon, reportedly in anticipation of an expected FDA ban (which did not materialize) or to avoid publicity. Instead, Pennex generated adverse publicity in newspapers all over the country, had to institute a costly recall, and decided to replace its water de-ionizer and reformulate its products to counter bacterial contamination of future production lots.

HAYES IMPROPRIETIES GET BY

FDA Commissioner Arthur Hull Hayes came within a whisker in April of being asked to resign because of eight alleged irregularities involving travel expenses and speaking honorariums, Washington insiders suggest. In fact, one journalist expressed "surprise" that Hayes survived that month in office. Deliverance came for Dr. Hayes when U.S. Attorney Frederick Motz told the HHS Secretary that he decided to "decline prosecution" of Dr. Hayes despite indications that the Commissioner's acceptance of honoraria "may arguably be judged to be unlawful . . . there is no evidence to suggest that the two honoraria were paid to influence any official action by Dr. Hayes." During the Carter Administration, FDA had a painstakingly worded policy to prevent its administrators accepting speaking honoraria or travel expenses. Mr. Motz described Dr. Hayes' explanation for his conduct as "troublesome and not free from doubt, but I am not convinced that he knowingly and willfully violated the law."

Mr. Motz said the two honoraria, $250 for two speeches at a Philadelphia medical meeting, $500 for a commencement address at Penn State University, were "modest" and that Hayes already returned one of them.

MISCELLANY

A two-month reprieve has been given **D&C Red No. 19 and 37** by the Food & Drug Administration, providing more time (until June 30) for the agency to issue its final safety decision on the colors. One factor that will be taken into account is the Cosmetic, Toiletry & Fragrance Association's skin penetration studies. Another is the agency's basic approach to colors that may provide carcinogenic evidence in test animals, and how that "carries over" to its potential in humans who may be exposed to considerably smaller amounts.

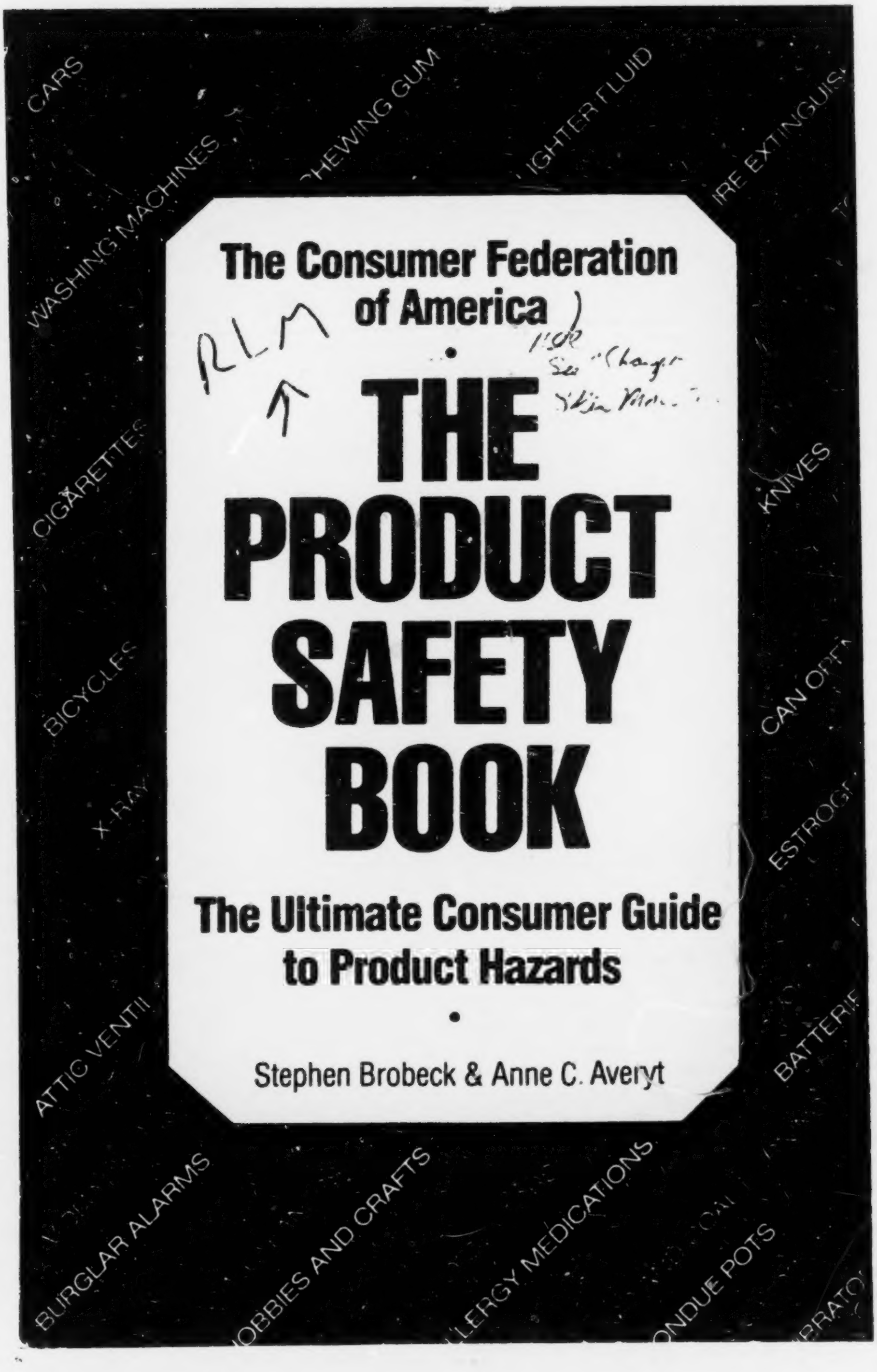
Intergovernmental Relations Subcommittee hearings on **Zomax** (zomepirac sodium) suggest that the analgesic may not return to the market for several months, if at all. McNeil Division of J&J likely will have to re-label and probably warn against use of the product in any long-term way in anything but a limited patient population, suggests testimony before the Weiss Subcommittee. The chairman, a New York Democrat, criticized the FDA for not taking earlier action after late 1981/early 1982 reports of anaphylactic reactions to the drug.

The Cosmetic, Toiletry & Fragrance Association and individual companies have responded to that FDA regulation calling for a **bubble bath warning.** The trade association, in particular, points out that marketers have been making "significant changes" in formulation to reduce the use of alkylarylsulfonates, singled out by the agency as causing urinary tract infections in female children. Other marketer petitions mention "economic hardship" on marketers and what the mandatory warning might do to the market

Washington Letter

BY JOHN FITZROY

A CORRECTION: In June, this column garbled the details of the corrective action taken by Pennex as to the reformulation done after removal of formaldehyde from its shampoo products. The column could have been interpreted that Kathon CG was the preservative used in the recalled products. This was not the case, since that preservative wasn't used in any of the recalled products. Pennex did drop formaldehyde for an alternative preservative which proved ineffective and this resulted in the subsequent recall because of bacterial contamination. What finally helped resolve the problem and permitted reintroduction of these products was a second reformulation using Kathon CG, the Rohm & Haas preservative that has achieved widespread success since its introduction a few years ago.



The Consumer Federation of America

•

THE PRODUCT SAFETY BOOK

The Ultimate Consumer Guide to Product Hazards

•

Stephen Brobeck & Anne C. Averyt

RLM
↑

for [illegible]

SHAMPOOS *(See also Shampoos, Baby; Shampoos, Dandruff)*

HAZARDS

Shampoos contain ingredients that can produce eye and skin irritation; can be poisonous to children who are attracted by the fragrant, colorful contents of the shampoo bottles; or can increase the risk of cancer.

Eye and skin irritation are the most common side effects of shampoo products. But while nearly all shampoo products can irritate if they get into the eyes, certain ingredients are more likely to cause irritation or serious damage than others. Abnormally irritating shampoos can cause painful eye inflammation, conjunctivitis, and sometimes chemical burns, clouding of the cornea, and temporary impairment of vision. Lauryl or laureth sulfates are the most irritating ingredients to the eye, whereas nonionic and amphoteric detergents are much less irritating.

Formaldehyde, a preservative found in some shampoos, can be irritating to both the eyes and the skin. Quaternium-15, which releases formaldehyde, is another preservative that may cause an allergic skin reaction. Natural conditioning agents such as balsam, vitamin E, coconut oil, and cocoa butter can also produce skin irritation.

Dowicil ↓

Boric acid is occasionally added to shampoo products as a pH balance, but it is absorbed rapidly through damaged skin and can be hazardous. Swallowing or absorbing boric acid through damaged skin can cause nausea, vomiting, circulatory system collapse, liver damage, convulsions, and coma. Although there are no reported incidents of boric acid poisoning from shampoo products, caution should be used.

Another source of concern with shampoo products is the presence of nitrosamines that have been proven to be very carcinogenic in animals. Nitrosamines are formed when an amine, such as triethanolamine (TEA) or diethanolamine (DEA) reacts chemically with a nitrosating agent, such as sodium nitrite or 2-bromo-2-nitroprone-1,3-diol (BNPD). Although nitrosamines are not put into shampoos, they can form when the TEA or DEA, which are found in hundreds of shampoo formulations, come in contact with a nitrosating agent. This often occurs on a random basis—one bottle of a shampoo may be contaminated with nitrosamines, whereas another bottle of the same brand may not. Nitrosamines are absorbed through the skin, and may expose a user to far higher levels of the cancer-causing agent than eating nitrite-cured bacon. BNPD is a nitrosating agent that is still found in some cosmetic products. Avoid all cosmetic products containing this chemical. In shampoos containing TEA or DEA as well as BNPD, cancer-causing nitrosamines can be formed. In addition, BNPD can combine with the amines in the skin or in the body to form nitrosamines.

Broa

PRECAUTIONS

There are many different shampoo formulations on the market. If formaldehyde irritates your skin, select a shampoo that does not contain this ingredient. If irritation is a problem for you, it may be best to avoid the natural conditioning agents as well and also products containing quaternium-15. Because of their potential for hazard, it may also be wise to avoid shampoos containing boric acid and DEA and TEA. Never use products containing BNPD.

All cosmetic products and medications should be kept out of the reach of small children. Some shampoo detergents—such as the lauryl and laureth sulfates, potassium cocohydrolyzed animal protein, sarcosines and sarcosinates, the sulfosuccinates, and sodium methyl oleoyl sulfate and sodium lauryl isoethionate—can be toxic if swallowed. Quaternary ammonium compounds in shampoos are internal poisons as well.

SHAMPOOS, BABY *(See also Shampoos)*

HAZARDS

Certain chemical ingredients in no-sting shampoos can anesthetize the eyeball. While this is not a dangerous occurrence, it can cause people to overlook other serious irritations or injuries to the eye, since these products can numb the eyes for up to seven hours.

Some baby shampoos also contain formaldehyde, which is a strong skin sensitizer.

SHAMPOOS, DANDRUFF *(See also Shampoos)*

HAZARDS

Antidandruff shampoos usually contain toxic ingredients and should be handled with care and kept out of the reach of children. The antidandruff chemical ingredient selenium sulfide is highly toxic, acting very much like arsenic. It can cause liver, kidney, heart, spleen, stomach, bowel, or lung damage and may be fatal even in small swallowed amounts. Zinc pyritione and salicylic acid are less toxic. Colloidal sulfur is probably the safest ingredient, though it is still moderately toxic if swallowed.

Perhaps the most dangerous ingredient in antidandruff shampoos is resorcinol. Although it is not as toxic as selenium sulfide, if swallowed, it is absorbed through the skin very quickly while selenium sulfide is not absorbed in any significant amount.

INDEPENDENCE MALL WEST PHILADELPHIA, PA 19105, U.S.A. TELEPHONE (215) 592-3000
CABLE ADDRESS ROHMHAAS TELEX 845-247 TWX 710-670-5335

ROHM
AND
HAAS
COMPANY

July 16, 1984

Roderick A. DeArment, Chief Counsel
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Re: S. 2427

Dear Mr. DeArment:

Attached are five copies of Rohm and Haas Company's comments on S. 2427.

We appreciate the opportunity to provide you with our comments on this bill. Please let me know if you or your staff have any questions on our submission or would like to discuss our comments in more detail.

Yours sincerely,

A.J. Spilner

A. J. Spilner
Manager, Trade Issues
Government Relations
215/592-3644

cc: Mr. William Reinsch
Legislative Assistant
Senator H. John Heinz, III
277 Russell Senate Office Building
Washington, DC 20510

AJS:bjf
Attachment

ROHM AND HAAS COMPANY'S COMMENTS ON
S. 2427
SUMMARY

Rohm and Haas Seeds Inc., (the Company) is an affiliate of Rohm and Haas Company, a multinational manufacturer of chemicals and plastics with principal offices in Philadelphia, Pennsylvania.

The Company imports fenridazon-potassium for exclusive use in the production of hybrid wheat seed, which is then sold in the United States and in other countries.

There are no commercial manufacturers of fenridazon-potassium in the United States and, to our knowledge, no other commercial applications for fenridazon-potassium in the United States or elsewhere.

Prior to importation beginning in April 1984, fenridazon-potassium was manufactured in the Life Sciences Pilot Plant at Rohm and Haas Company's Bristol, Pennsylvania plant. At maximum output, a total of three hourly employees were involved. All three employees are now working on other projects in the Pilot Plant. Thus, no jobs were lost when production was transferred overseas.

The revenue that would be foregone by enactment of S. 2427 is estimated to total approximately $500M for the three year period 1984-86.

RECOMMENDATION

We support S. 2427 to suspend the import duty on fenridazon-potassium since this product is not manufactured in the United States and its use in the production of hybrid wheat seed will be of substantial benefit to the United States. More rapid development of new hybrids will lead to increased crop yields and lower costs which will help hold the line against rising food costs in the U.S. and help U.S. farmers remain competitive in world markets.

AJS:bjf

ROHM AND HAAS COMPANY'S COMMENTS ON

S. 2427

-A bill to provide for the temporary suspension of the duty on mixtures of potassium 1-(p-chlorophenyl)-1,4-dihydro-6-methyl-4-oxopyridazine-3 carboxylate (fenridazon-potassium) and formulation adjuvants.

Product Description and Intended End Use

Hybrex TM is a trademark of Rohm and Haas Company.

Hybrex 2LC is a plant growth regulator in the form of a water solution of fenridazon-potassium (active ingredient) and formulation adjuvants which inhibit the development of pollen on wheat, permitting production of hybrid wheat seed by selective cross-pollination.

Hybrex 2LC is manufactured for Rohm and Haas Seeds Inc., an affiliate of Rohm and Haas Company, for exclusive use by Rohm and Haas Seeds Inc. in the production of hybrid wheat seed. There are no plans to make Hybrex 2LC available for sale to other companies in the United States or elsewhere.

Other End Uses

To our knowledge, there are no other commercial end uses for Hybrex 2LC or for the active ingredient, fenridazon-potassium.

Product History

First use for production of hybrid wheat seed in the United States - 1982

First use for production of hybrid wheat seed outside of the United States - 1984

Location of Production Facilities

Production of Hybrex 2LC in semi-works facilities at Rohm and Haas Company's Philadelphia, PA and Bristol, PA plants is to be discontinued in 1984 because demand has outgrown capacity.

Beginning in 1984, Hybrex 2LC will be manufactured in multi-purpose production facilities available in the United Kingdom. These facilities will require only limited modifications to make them suitable for use in the production of Hybrex 2LC, thus avoiding the multi-million dollar investment required to construct a new, dedicated, single product plant.

Other Manufacturers

None - domestic or foreign.

Patent coverage in the United States and in major western countries extends into the 1990's. See U.S. Patent 4,345,934, August 24, 1982.

Raw Material Sources

The principal raw materials used in the production of Hybrex 2LC are specialty chemicals. When production of Hybrex 2LC is shifted from the United States to the United Kingdom, the same sources will be used for these raw materials.

The rest of the raw materials used in the production of Hybrex 2LC are commodity chemicals which are freely available in world markets. Less than 0.1% of U.S. capacity for each of these raw materials was required for the production of Hybrex 2LC in the United States in 1983.

Need for the Product

Hybrex 2LC is a chemical hybridizing agent which inhibits the development of pollen on wheat, thereby enabling fast and efficient production of hybrid wheat seed. The only alternative method, in common use today, is to breed-in male pollen sterility using the cytoplasmic male sterile system, a much more time consuming, more expensive process. The benefits of the use of Hybrex 2LC compared to the cytoplasmic male sterile system include:

- an increase in the probability of identifying new hybrids for development into seed stock
- more rapid scaleup to commercial production once a new hybrid is identified
- a reduction in the number of years (growing seasons) required to develop new hybrid seed stocks to the point of general commercial availability
- a reduction in the total cost of developing new hybrid seed varieties compared to the only other method currently available.

Competitive Products (Chemical Hybridizing Agents)

None

Present Tariff Classification

Item 408.38 TSUS - Pesticides *: Other: Other:

* Hybrex 2LC is a herbicide (plant growth regulator). Herbicides are included in the TSUS as pesticides.

Duty Rate

0.8 /lb. + 9.7% ad valorem

Revenue Impact of Proposed Suspension of Duty

Duties first payable when imports of Hybrex 2LC begin (early 1984) would be foregone.

There would be no revenue impact of the proposed suspension of duty compared to the situation prevailing when Hybrex 2LC was manufactured exclusively in the United States (1981 through early 1984). Hybrex 2LC has been manufactured in the United States since 1981 and used in the United States for the commercial production of hybrid wheat seed since 1982 without payment of duty.

UNITED STATES SENATE
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON INTERNATIONAL TRADE
STATEMENT SUPPORTING S. 2429 BY THE UNITED STATES HAZELNUT INDUSTRY

Associated Oregon Hazelnut Industries, Inc. (AOHI)
Mr. Glenn Hansberry, Chairman
2828 Cherry Avenue N.E.
Salem, Oregon 97303

Counsel:
Terrence Kay, P.C.
Attorney at Law
15110 S.W. Boones Ferry Road, Suite 850
Lake Oswego, Oregon 97034
(503) 635-1519

This statement is submitted in support of S. 2429 by the United States filbert industry, which is represented by the Associated Oregon Hazelnut Industries, Inc. (AOHI). The Board members of AOHI are the representatives for the U.S. processors and growers of hazelnuts, which are produced in Oregon and Washington. Represented on AOHI are the Associated Nutpackers of Oregon, the Filbert Growers Bargaining Association, the Oregon Filbert Commission, and the Nut Growers Society of Oregon, Washington & British Columbia. Since these associations comprise the interests of the entire hazelnut industry, AOHI's comments should be given great weight.

Senator Packwood and Senator Hatfield introduced S. 2429 on March 14, 1984, and Senator Gorton has joined in co-sponsorship. Companion legislation was introduced in the House on June 18, 1984, by Congressmen AuCoin, Denny Smith, Weaver, and Wyden, H.R. 5851. The two substantive provisions of these bills provide for:

1. A prohibitive tariff of 50 cents per pound on imported hazelnuts which do not meet the reasonable and customary 1% quality standard for the combined quality defects, defined by the U.S. Department of Agriculture (USDA) in the Federal Register as: "decay, mold, rancidity, and insect disease;" and

2. An increase in the decades-old U.S. tariff on imported hazelnuts from 8 cents per pound to 16 cents per pound.

The industry's need for this legislation and the policy objective it satisfies were well stated by the Senate leaders supporting this measure:

> SENATOR PACKWOOD: "I am pleased to offer a bill today designed to encourage imported hazelnuts (also known as filberts) to meet the same standards of high quality that are being met by the domestic hazelnut industry . . . I am convinced that this bill will be beneficial to all producers of filberts, foreign and domestic,

because it will encourage the consistency in prices and quality needed to expand the market for filberts in this country."

SENATOR HATFIELD: "This legislation is designed to provide an economic incentive for importers to supply the highest quality product available."

The plight of the U.S. hazelnut growers or orchardists is easy to see. The U.S. growers number 800-1,100 throughout the Pacific Northwest. Their total annual production is 4% of world production, or about 15,000 tons of the 400,000 tons produced worldwide. As a small supplier to the world market, what does the U.S. grower face?

1. The average grower is a small businessman or woman, with 25-100 acres in hazelnut trees.

2. Turkey produces 70% of the world crop, Italy 22%, and Spain 4% (see Exhibit #1). In effect, the Turkish price is the world price. Regardless of the supply of domestically produced hazelnuts, the Turks dictate price and don't meet the same quality standards for their exports to the U.S. as the U.S. growers. Turkey exports substantial quantities to other industrial countries (see Exhibit #2).

3. Prices have been driven down for U.S. growers the last three years, and are far below parity.

1979	47.5 cents p/lb.	76% of parity
1980	57.6 cents p/lb.	84% of parity
1981	39.3 cents p/lb.	52% of parity
1982	34.0 cents p/lb.	44% of parity
1983	30.0 cents p/lb.	39% of parity

4. U.S. growers receive no subsidies, no grants, no price supports, no quotas, no government aid. The evidence suggests that the Turks buy and sell through a government cooperative with significant subsidies. The Italians received a 6 cents per pound shelled export subsidy from the European Community in 1983. That is a subsidy of almost 10% per pound for the prices received by U.S. growers.

5. Several hundred thousand new tree plantings have been made by U.S. growers in the last few years (see Exhibit #3). This investment won't pan out in the face of subsidized, monopolistic price setting competition by the Turks and Italians.

In light of this bleak situation for the striving hazelnut growers and processors, the arguments for each of the two substantive features of S. 2429 are clear:

1. The 50 cent per pound prohibitive tariff to enforce a 1% quality standard (Tariff Schedule item 145.46).

U.S. growers and handlers produce high quality, top grade hazelnuts. The two principal exporting countries to the U.S. (Turkey and Italy) do too, but they ship their defect ridden nuts to the U.S. Department of Agriculture regulations allow imports of up to 2% by volume for the defects of "decay, mold, rancidity and insect disease." S. 2429 properly tightens the quality standard to 1%, which we believe all producers can meet. The bill doesn't seek and shouldn't restrict free trade. The "quality" of imported commodities should, and is, currently regulated. Hence, all this provision does is require imports to be of good, sound, commercially comparable quality.

2. Tariff increase from 8 cents to 16 cents per pound (Tariff Schedule item 145.47).

(a) U.S. growers are fighting low priced, subsidized imports from Turkey and Italy. The U.S. crop is very small, only 4% of world production. Turkey and Italy produce 92% of world production. As a result, the price these two countries set, especially Turkey, becomes the world price. So, when Turkey produces a boom crop, kicks in a subsidy, and then sells to the world, U.S. growers must face the Turkish price. U.S. growers' prices in 1979 and 1980 were 47.5 cents and 57.6 cents per pound, but tumbled to 39 cents, 34 cents and 30 cents in 1981-3. This small agricultural industry is in the midst of a desperate run for its money and needs the competitive balance provided by a tariff increase.

(b) Almond and walnut tariffs are double that of filberts, 16.5 cents and 15 cents per pound, respectively. Comparability among these nut varieties argues for a 16 cent filbert tariff, too.

Free trade is not infringed upon by this bill. Indeed, both Senator Packwood and Senator Hatfield are strong advocates of free trade. The hazelnut trade bill, S.2429, does not inhibit free trade for these reasons:

1. There are no quotas or limits on the quantity of imports. Indeed the U.S. needs hazelnut imports to meet domestic demand.

2. The 1% quality standard set by S.2429 is clearly obtainable by the exporting producers. The U.S. crop averages 15,000 tons or 4% of world production. The balance of the world crop is nearly 400,000

tons or 96%. Within that world production volume are many times the 3,000 tons of the annual imports of hazelnut kernels.

3. The tariff increase from 8 cents per pound to 16 cents should not affect trade with the exporting countries and the U.S. As mentioned before, both Turkish and Italian growers receive subsidies which would tend to be nullified by this tariff increase.

4. Inflation has eroded the hazelnut tariff. The original 8 cents per pound hazelnut tariff was set in 1948. To index this for inflation would require a 32 cent per pound tariff. Hence, an increase from 8 cents to 16 cents in the face of this already weakened tariff should not inhibit hazelnut trade.

5. To survive and expand, the hundreds of beleaguered U.S. growers need this legislation. They represent only 4% of the world production, and must take a back seat to the monopolistic power Turkey exercises in setting prices and exporting decayed product in our marketplace. The U.S. industry continues to grow, both in production and plantings of new trees, which should be fostered and encouraged.

Thank you for your consideration of this critical measure to a small but diligent part of America's agriculture community.

EXHIBIT 1

World Hazelnut Crop—Unshelled Basis

	1975	1976	1977	1978	1979	1980	1981	1982	*1973/82 10-year average*	1983 Estimate
Italy	70,000	82,000	85,000	100,000	70,000	105,000	90,000	100,000	*89,700*	100,000
Spain	13,000	20,000	24,000	14,000	30,000	22,000	18,000	14,000	*19,700*	28,000
Turkey	350,000	220,000	290,000	300,000	280,000	260,000	420,000	190,000	*279,000*	440,000
USA	12,100	7,200	11,600	12,200	11,800	14,000	13,400	16,700	*11,700*	5,900
Total	445,100	329,200	410,600	426,200	391,800	401,000	541,400	320,700	*400,100*	573,900

Units: Metric tons

EXHIBIT 2

Table 6

Imports of Hazelnuts by Major Consumers

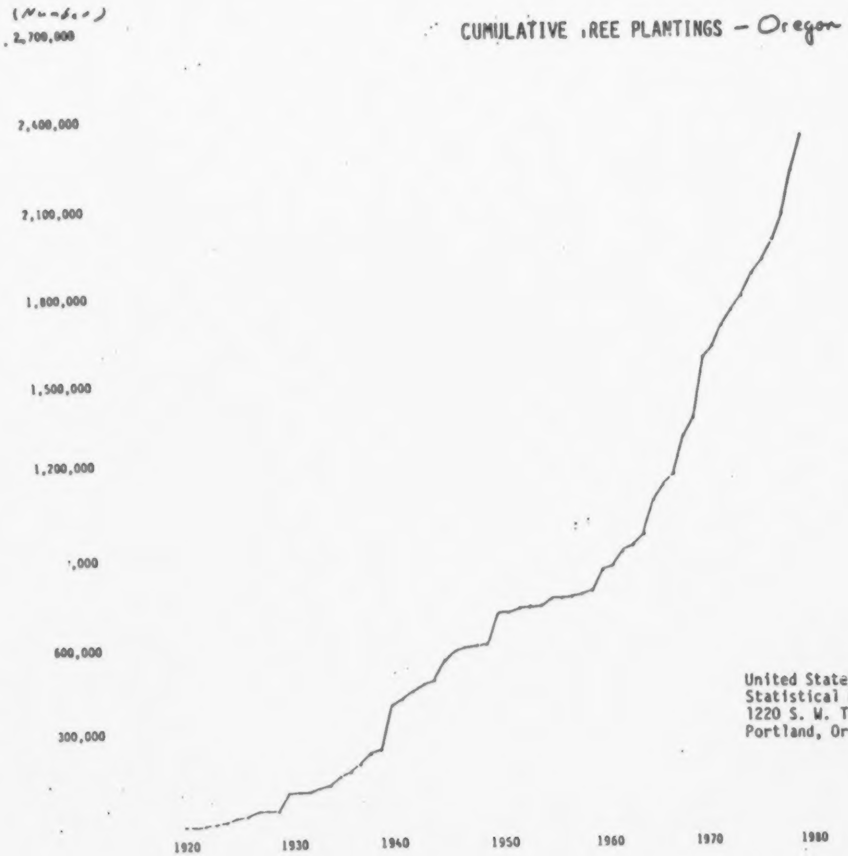
	Austria*	Belgium*	Canada		Denmark*	France*	Germany (Fed. Rep.)		Netherlands*	Norway*	Sweden*	Switzerland*	United Kingdom		United States*	USSR*
			In Shell	Shelled			In Shell	Shelled					In Shell	Shelled		
1970	3,182	2,432	605	545	1,194	8,018	4,941	35,841	2,902	1,423	3,530	7,273	1,904	2,370	2,590	11,000
1971	3,775	3,134	806	614	831	9,583	5,574	39,625	3,645	1,507	3,656	7,930	1,601	4,560	2,467	13,200
1972	4,326	3,287	869	786	1,268	10,598	5,736	44,001	3,659	1,684	3,947	9,140	1,850	5,848	2,522	18,000
1973	..	2,934	648	1,183	1,478	11,669	5,387	44,918	4,222	1,695	4,470	9,413	979	7,335	4,647	16,500
1974	4,143	3,041†	721	837	1,320	11,287	5,096	35,867	4,167	1,864	4,255	9,785	734	7,018	4,098	20,764
1975	4,760	3,254	1,036	572	1,471	13,043	5,679	45,920	4,783	1,830	4,587	8,751	1,043	5,183	2,744	22,507
1976	6,176	3,889	1,294	646	1,785	15,379	5,134	51,804	5,766	2,078	4,990	9,087	726	6,019	6,492	23,892
1977	6,620	4,262	1,410	1,162	1,933	16,799	5,178	57,768	5,744	2,291	5,189	11,213	842	7,538	5,570	22,375
1978	7,203	4,592	960	925	1,922	16,079	4,596	59,950	5,763	2,103	4,722	9,498	1,329	6,901	4,656	30,812
1979	7,494	5,175	787	963	1,951	17,869	4,393	58,972	5,455	1,979	5,014	10,564	753	7,530	3,186	24,662
1980	7,019	4,515	606	843	1,785	16,555	4,398	54,931	5,980	1,994	4,706	10,917	702	5,678	2,908	16,389
1981	7,045	4,805	893	751	1,865	17,216	4,194	56,264	5,431	1,987	4,738	10,260	1,615	5,979	1,429	13,261
1982	8,188	5,803	818	795	2,169	18,800	4,163	60,638	5,948	2,107	4,924	11,767	1,225	6,608	3,283	12,919
1981 Q1	1,400	1,289	73	259	292	6,132	336	22,014	1,827	318	744	2,543	—	2,041	456	
Q2	1,168	967	70	206	359	3,315	213	5,381	1,171	297	646	2,505	356	1,335	380	
Q3	1,169	979	83	54	314	2,382	906	8,668	1,060	212	565	1,901	588	985	277	
Q4	3,308	1,590	667	232	940	5,387	2,659	20,181	1,566	1,160	2,783	3,311	671	1,618	316	
1982 Q1	1,788	1,463	66	107	364	4,411	56	17,035	2,080	292	601	2,769	—	1,882	569	
Q2	1,735	1,247	118	236	449	4,221	151	12,118	1,211	298	641	2,815	109	1,839	1,132	
Q3	1,912	1,059	87	209	304	3,811	1,066	10,470	1,292	192	1,336	2,641	474	1,237	671	
Q4	2,753	1,834	545	241	972	4,927	2,890	20,089	1,313	1,397	2,296	3,542	646	1,679	911	
1983 Q1	1,873	1,367	51	121	312	5,514	188	25,424	1,691	189	701	2,110	154	2,319	1,184	
Q2	1,710	1,387	10	361	429	3,924	148	7,694	1,439	363	934	3,020	155	2,119	953	
Q3	1,253				356	2,587	880	7,141		284		1,917	605	1,104	327	

Units: Metric tons.
*Combined in shell and kernels.

Notes: †Provisional.
..Not available.
—Imports, if any, are under half a ton

EXHIBIT 3

CUMULATIVE TREE PLANTINGS – Oregon & Washington



United States Department of Agriculture
Statistical Reporting Service
1220 S. W. Third Avenue, Room 1735
Portland, Oregon 97204

Association of Food Industries, INC.

Established in 1906

115 BROADWAY
NEW YORK, NY 10006
212-267-4244
TELEX 226000

OFFICERS

President
NORMAN OPPENHEIMER
Camerican International, Inc

First Vice President
JOSEPH CRISTOVAO, III
Mercantum (U.S.) Corporation

Second Vice President
EDWARD HOWARD
HTC Commodity Corp

Treasurer
JACK B. HARTOG
Hartog Trading Corp

Secretary
HAROLD RAHTZ
Balfour, Maclaine
International Ltd

Past President
ANTHONY L. LANESE, JR
Genoa Cherry Co., Inc

DIRECTORS

JOSE AMEIJIDE
Jose Ameijide, Inc

ALAN APPLEBAUM
Trans-Oceanic Sales Co., Inc

WILLIAM DIGNAM
A.L. Bazzini Co., Inc

MAURICE DOWLING
Liberty Cherry & Fruit Co., Inc

HERBERT EFFRON
The Effron Brokerage Corp

ALLEN FRIEDMAN
Progresso Quality Foods Div
of Ogden Food Products Corp

FELIX JAGER
Mitchel Beck Co., Inc

NORMAN LAPIDUS
Julius Levy Company

RICHARD MILLER
SSC International, Inc

ERNEST MUELLER
Ludwig Mueller Co., Inc

LEWIS E. NORDLINGER
Steinhardter & Nordlinger, Inc

GERALD VOGEL
J.F. Braun & Sons, Inc

Executive Vice President
RICHARD J. SULLIVAN

General Counsel
ROBERT FUNICELLO

July 17, 1984

Senator John C. Danforth
Chairman
Subcommittee on International Trade
Committee on Finance
U.S. Senate
Washington, D.C. 20510

Re: S. 2429

Dear Senator Danforth:

You have asked for comments regarding S. 2429, a bill to increase the tariffs on certain imported filberts. The Association of Food Industries represents importers of Turkish and Italian filberts who would be substantially and unfairly damaged if this legislation were enacted.

The proposed legislation would revise Section 145.46 of the Tariff Schedules of the United States to increase the $.08 per pound tariff which presently applies to all imported filberts (also known as hazelnuts). The new rates of duty would be $.66 per pound for filberts not meeting standards established by the State of Oregon, and $.16 for filberts meeting the Oregon standards. This legislation would erect a substantial barrier to imports of Turkish and Italian filberts, which have been the original and traditional source of filberts in this country.

The standards established by the State of Oregon are aesthetic and apparently protectionist. Because filberts harvested in the State of Oregon are wet and messy at the time of harvest, they must be dried in energy-intensive gas dryers. The result of the gas drying is a nut which has very little propensity to decay. In Turkey and Italy, filberts are picked by hand and dried in the sun, much as raisins are dried in the sun in the United States. The result is an excellent product which complies with existing U.S. standards. The Oregon standard would exclude the imported filberts merely because of the differences resulting from the two methods of drying the nuts: gas dried versus sun dried. This distinction is entirely based on an aesthetic criterion. There are no health or safety implications here. It is a question of choice. Food processors who use filberts should have their choice between the domestic and imported product. Indeed, imported filberts are preferred by many food processors for use in products such as hazelnut paste for bakers due to the higher oil content of the imported product. Thus, any tariff legislation which would further discriminate against imported filberts on the basis of standards established by the State of Oregon would represent poor national policy.

Legislation to base filbert tariffs upon compliance with the regulations of the State of Oregon would represent an abdication of the Federal government's exclusive authority to control interstate and foreign commerce. Despite the existence of federal standards for filberts, this legislation would allow Oregon to establish the standards by which the admission of filberts into other states would be judged. Thus, the proposed legislation would be clearly unconstitutional.

Furthermore, the proposed legislation is obviously contrary to the Agreement on Technical Barriers to Trade promulgated after the Tokyo Round of GATT negotiations. That Agreement provides that technical criteria shall not interfere with international trade except to the extent necessary to protect the health or safety of the importing nation. Here, the Oregon standards are aesthetic and do nothing to protect the health or safety of the United States and its citizens. Any attempt to impose these standards on imported filberts would be a violation of the GATT and its Agreement on Technical Barriers to Trade.

Finally, it is important to recognize that U.S. imports of filberts come from two nations which are strong friends and NATO allies of the United States. Turkey and Italy are each important markets for the commodities and manufactures of the United States. The Congress should do nothing to discriminate against imports of filberts from either of these nations.

For all of the above reasons, the Association of Food Industries opposes S. 2429. We appreciate the opportunity to submit these comments.

Sincerely,

Richard J. Sullivan

Richard J. Sullivan
Executive Vice President

GF
GENERAL FOODS CORPORATION / *250 North Street, White Plains, N. Y. 10625*

July 17, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room 219
Senate Dirksen Office Building
Washington, DC 20510

Dear Mr. DeArment:

This letter is being written to express Entenmann's, Inc. opposition to Senate Bill 2429, a bill to amend the tariff schedule of the United States to increase the duty on certain imported shelled filberts.

Entenmann's, a wholly owned subsidiary of General Foods Corporation, is a manufacturer of baked goods in the United States having plants in New York, Illinois, and Florida, and distribution of its products in approximately one third of the country.

Entenmann's purchases 800 metric tons of filberts each year for use in its bakery products. These filberts are ground into a paste for use in a large proportion of the product line and are used for their unique flavor characteristics. All filberts currently used by Entenmann's are imported from Turkey, Italy or Spain. In the past we have experimented with domestic filberts and found them totally unsuited to our use. The reason is that the imported filberts have a significantly higher oil content which enables them to be made into a workable paste. The lower oil domestic filberts are unworkable for such purposes. We have also noted that the flavor profile of the imported filbert when ground into a paste is markedly superior to the flavor obtained by producing a paste from the domestic nut.

Imported filberts readily meet all defect tolerances imposed by the Oregon Standard except for decay. The reason for the higher decay level in the imported product is due to solar drying (as opposed to energy intensive dryers in the United States) and the higher oil content. The features of the imported filbert that would make it difficult to meet the Oregon Standard are precisely those characteristics which are responsible for the unique flavor profile that distinguishes Entenmann's products from those of its competitors.

The imposition of a duty surcharge on those filberts failing to meet the Oregon Standard as well as the imposition of a doubled duty of its filberts meeting the standard, would place an onerous burden on Entenmann's Inc. Entenmann's is well known for its high quality standard and unique product line and flavor. The imported filbert goes to the very heart of Entenmann's business. The imposition of such an enormous duty would be a significant burden on the business and ultimately the consumer.

Entenmann's, like Senators Packwood and Hatfield, believes that consumers should have the best quality products available to them. S. 2429 does not accomplish this. The Bill should be reconsidered. Entenmann's would be more than pleased to work with representatives of your committee to accomplish the goals set forth by Senators Packwood and Hatfield.

Sincerely,

David Johnson

David Johnson
Vice President, General Foods
Corporation
President and Chief Executive Officer,
Entenmann's, Inc.

PUBLIC VOICE
FOR FOOD & HEALTH POLICY

1001 Connecticut Avenue, N.W.
Suite 519
Washington, D.C. 20036
(202) 659-5930

The Honorable John C. Danforth
Subcommittee on International Trade
SD - 219 Dirksen Senate Office Building
Washington DC. 20510

Re: Opposition to S2429

Dear Senator Danforth,

Public Voice is writing to express our objection to S2429. As a consumer group that works for a wholesome, nutritious and reasonably-priced food supply for all Americans, we oppose S2429, a bill to amend the Tariff Schedules of the United States to increase the duty on certain shelled filberts (hazel nuts) since the result would be increased prices for the importer and food processor. Ultimately the consumer of processed foods, the user of produce nuts, and the home baker would bear the added cost.

Hopefully the members of the Subcommittee on International Trade will not support S2429 since the bill is not in the public interest.

Sincerely yours,

Susan Banes Harris

Susan Banes Harris
Director of Government
Relations

American Cyanamid Company
1575 Eye Street N.W.
Washington D.C. 20005
(202) 789-1222

St. Clair J. Tweedie
Director
Government Relations

July 23, 1984

Mr. Roderick DeArment
Chief Counsel
Senate Commiteee on Finance
219 Dirksen Building
Washington, D. C. 20510

Dear Mr. DeArment:

Re: Miscellaneous Tariff Bills
S. 2439, 2440, 2441

American Cyanamid Company is a broad-based multinational chemical, agricultural, health and consumer products company headquartered in Wayne, N.J. We employ nearly 20,000 people at manufacturing and other facilities in 35 states.

We fully support and encourage swift passage of the referenced bills introduced by Sen. Randolph. These bills would temporarily suspend duties, for a period of three years, on a group of imported chemical intermediates used in the production of a number of industrial and mining chemical products at our Willow Island plant in Parkersburg, W. Va.:

Tariff Sched. No.	Product	Uses	Current Duty Rate
404.9200	Meta Amino Phenol (MAP)	Rhodamine Dyes, Brighteners	10.2%
403.2000	Para Ethyl Phenol (PEP)	Antioxidant	21.3%
404.4600	Trichloro Salicylic Acid (TCSA)	CYALUME^R Products	17.9% + 1.7¢
465.9530	Sodium Isobutyl Xanthate (AX-317)	Mineral Flotation	4.5%
465.9530	Sodium Ethyl Xanthate (AX-325)	"	"
465.9530	Sodium Isopropyl Xanthate (AX-343)	"	"
465.9530	Potassium Amyl Xanthate (AX-350)	"	"

Mr. Roderick DeArment
Page Two
July 23, 1984

Our chemicals business, like that of most domestic manufacturers, was heavily impacted by the recession from which we are just beginning to recover. A lowering of demand plus heightened foreign competition has taken a heavy toll on this industry over the past three years.

We are, however, committed to doing everything in our power to regain the competitive position we occupied before the recession.

There are many factors entering into what makes a particular product competitive, not the least of which is the cost of raw materials. The duty suspensions contained in the referenced bills are aimed at lowering the cost of some of the raw materials used at our Willow Island plant. Assessing duties on these chemical intermediates, none of which is produced in the United States, serves only to add to the cost of our products, making it tougher to compete with stiff foreign competition at home and abroad. By lowering the cost of these raw materials we can meet this competition more aggressively, thus preserving the jobs of the more than 400 men and women employed at that plant.

Sincerely,

S J Tweedie

S. J. Tweedie

SJT:dns

STATEMENT OF

THE SHERWIN-WILLIAMS COMPANY

BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE

COMMITTEE ON FINANCE

UNITED STATES SENATE

JULY 13, 1984

This written statement is submitted by the Sherwin-Williams Company in response to the announcement of the International Trade Subcommittee dated July 5, 1984, seeking written comments on S. 2440 and certain other miscellaneous tariff bills. S. 2440 is a bill introduced by Senator Randolph which will suspend the duty on para ethyl phenol (PEP) and four other benzoid chemicals until the close of June 30, 1986. As the sole producer of PEP in the United States, we oppose S. 2440 as it applies to PEP only.

PEP is used to make butylated hydroxy ethyl benzene which is used in plastics, primarily polyolefins. It is also used in 2,2-methylene BIS (4-ethyl-6-tert-butyl phenyl) which is used in rubber. In both cases it is used as an antioxidant.

Aside from Sherwin-Williams, there are only two other manufacturers of PEP in the world, one in England and one in Japan. Our domestic production record for PEP at our Chicago plant is as follows: 767,535 pounds in 1976; 1,158,666 pounds in 1977; 994,486 pounds in 1978; and 1,014,640 pounds in 1979. In 1984 we have produced 118,000 pounds to date and anticipate producing an additional 500,000 pounds in August. The size of our orders from customers in a single year have ranged from 25 pounds to 29,920 pounds. We produce PEP in sufficient quantities to meet our current orders plus sufficient quantities to be inventoried to meet anticipated future demand. Due to the recessionary economy and low demand for PEP, we had sufficient inventory from our 1979 production to fill orders through 1983. Due to the high value of the dollar, our two foreign competitors were able to aggressively lower their prices to a level where we were not able to sell off our inventory as quickly as we had hoped. With the recovery of the economy, increase in demand for PEP, and the depletion of our inventory, we renewed substantial production of PEP in 1984 in response to new orders.

Passage of S. 2440 will guarantee that our Chicago plant will sit idle for two months every year resulting in the layoff of 25 employees. The cost of the other chemicals produced in that plant will have to increase in order to offset the cost of the fixed overhead of that plant. This will render Sherwin-Williams less competitive in the markets for the other chemicals produced in that plant.

Our two foreign competitors compete aggressively in the U.S. market and already have the lowest priced products in our market notwithstanding the current tariff imposed on PEP. The value of the dollar has placed our foreign competitors in an extremely advantageous position in the U.S. market. The need for tariff relief simply does not exist. If this duty suspension is granted, it will make it economically impossible for Sherwin-Williams to continue to produce PEP in the United States. As a result of the last round of multilateral trade negotiations, the tariff on PEP has been and will continue to be substantially reduced. In 1980 the tariff was .3 cents per pound plus 25% ad valorem. It is now 17.2% ad valorem and will be reduced to 11% by 1987. The tariff on PEP will have declined by more than one-half as a result of the phased reductions by 1987. We are currently researching methods to improve our process and to make ourselves more competitive with the two foreign producers. The phased reductions currently in effect will give us the much needed time to improve our ability to compete.

If the duty on PEP is suspended, the two foreign producers will be the beneficiaries and the domestic users of that product will be the ultimate losers. The elimination of Sherwin-Williams from competition in the domestic market will leave our U.S. customers at the mercy of increased prices from the two foreign producers of PEP. The closing of our facility will increase the demand for PEP produced abroad which will inevitably lead to higher prices being charged to U.S. based users of that product.

For these reasons, Sherwin-Williams opposes the suspension of the duty on para ethyl phenol as proposed in S. 2440. Our investment in plant and technology will be lost, we will not be able to continue manufacture of PEP, and the domestic users of PEP will be faced with price increases from abroad. Since our two foreign competitors are already selling below our prices, there is no need for further tariff relief. The current tariff is necessary in order to preserve the only domestic producer of PEP and to give us the needed time and opportunity to improve our processes so that we can compete effectively both in the domestic market and abroad.

ational Starch and Chemical Corporation

Finderne Avenue
P.O. Box 6500
Bridgewater, New Jersey 08807
201-685-5000
Cable Address NASPROD, BRIDGEWATERNEWJERSEY
TWX 710-480-9240

ter's Direct Dial Number 201-685-5249

July 19, 1984

Mr. Roderick A. DeArment, Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington DC 20510

Dear Mr. DeArment:

I am writing to you in reference to Miscellaneous Tariff Bill S. 2441. This tariff bill would suspend the duty on methyl carbamate.

National Starch & Chemical Corporation manufactures methyl carbamate at our Salisbury, NC site. We have recently made investments at that site to improve our manufacturing process and product quality.

Suspension of the tariff on this product would adversely affect our sales of this product as well as our manufacturing activity in North Carolina. We are opposed to this tariff reduction bill. We urge the Senate to reject this bill.

Thank you.

Very truly yours,
NATIONAL STARCH AND CHEMICAL CORP.
Performance Chemicals

Edward Richman

Edward Richman, Ph.D.
Marketing Manager

ER/sja

"Our service engineers are available to help purchasers obtain best results from our products, and recommendations are based on tests and information believed to be reliable. However, we have no control over the conditions under which our products are transported to, stored, handled, or used by purchasers. All recommendations and sales are made on condition that we will not be held liable for any damages resulting from their use. No representative of ours has any authority to waive or change this provision."

PHILIP STEIN (1898-1955)

STEVEN P. KERSNER
IRWIN P. ALTSCHULER
DAVID R. AMERINE
DONALD S. STEIN

ARTHUR L. ISAACS*
OF COUNSEL

*NOT ADMITTED IN D.C.

LAW OFFICES
STEIN SHOSTAK SHOSTAK & O'HARA
A PROFESSIONAL CORPORATION
SUITE 806
1101 SEVENTEENTH ST., N.W.
WASHINGTON, D.C. 20036
CABLE ADDRESS: PORTSOLON
(202) 223-6270

LOS ANGELES OFFICE

SUITE 1702
3255 WILSHIRE BLVD.
LOS ANGELES, CA 90010
(213) 384-2850

MARJORIE M. SHOSTAK*
S. RICHARD SHOSTAK
JAMES F. O'HARA*
JOSEPH R. COX

THEO B. AUDETT*
OF COUNSEL

*NOT ADMITTED IN D.C.

July 20, 1984

United States Senate
Subcommittee on International
Trade
219 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Attention: Roderick A. DeArment, Esq.
Chief Counsel

Re: S. 2474

Dear Mr. DeArment:

Reference is made to the Subcommittee on International Trade's ("Subcommittee") Press Release No. 84-154 which invited interested parties to submit written comments on miscellaneous Tariff Bills. On behalf of our client, Calsak Corporation, of Gardena, California, we are pleased to submit herewith our comments on S. 2474, a Bill to "...amend the Tariff Schedules of the United States with respect to the tariff treatment accorded to film, strips, and sheets of acrylic plastic materials."

S. 2474 would amend the Tariff Schedules of the United States to provide a statutory definition of the term "flexible" solely for the purpose of establishing the tariff classification for imported acrylic sheet, plastic film, and strips. As explained in detail below, we respectfully submit that S. 2474 is unnecessary and would result in the adoption of a statutory definition of the term "flexible" for acrylic sheet which finds no support in commercial usage.

It has long been a canon of statutory construction in Customs jurisprudence that Tariff terms are to be construed in accordance with their common and commercial meanings, which are presumed to be the same. United States v. C. J. Tower & Sons, 48 CCPA 87, C.A.D. 770 (1961). In Sekisui Products, Inc. v. United States, 63 Cust. Ct. 123, C.D. 3885 (1969), the Customs Court held that the term "flexible" used in headnote 3 of Subpart B of Part 12 of Schedule 7 of the Tariff Schedules of the United States was used by Congress in its common meaning. The court found that the common meaning of the term "flexible" was definitively stated in Webster's Third New International Dictionary Of The English Language, Unabridged (1961) as:

> 1. capable of being flexed: capable of being turned, bowed, or twisted without breaking.*** Syn. elastic, resilient, springy, supple: Flexible is applicable to anything capable of being bent, turned, or twisted without being broken and with or without returning of itself to its former shape.

The common meaning definition of the term "flexible" has not been altered since Sekisui, and, in fact, was just reaffirmed in a recent decision by the Court of International Trade, Rohm and Haas Company v. U.S., 5 CIT ___, Slip Op. 83-48 (May 12, 1983), which involved the specific question of the proper meaning of the term "flexible," for the classification of acrylic sheet. The Court of International Trade, after hearing extensive testimony by representatives of the acrylic sheet industry, concluded that there is no single industry definition of the term "flexible" and the common meaning, as set forth in Sekisui, controlled the classification of acrylic sheet. Indeed, the Court noted that even after extensive effort the American Society of Testing Materials (ASTM) was unable to establish an industry standard because of the diverse views within the industry as to the definition of the term "flexible." Judge Landis summarized the conflicting testimony of the acrylic sheet industry representatives in the following terms:

> Since there appears to be a lack of uniformity among plastics experts nationwide (indeed, ASTM a leader on developing definitions, could not agree upon a definition for "flexible") and conflict as to actual testing methods, scientific versus a "hand" approach, plaintiff has failed to demonstrate a general, uniform and definite definition of a commercial designation for acrylic sheet. (emphasis added)

S.2474 would establish a statutory definition of the term "flexible" notwithstanding the fact that the industry itself has been unable to arrive at an industry standard. Clearly, in the absence of a uniform industry standard, the common meaning of a term should be permitted to continue to form the basis for the definition of the term as used in the Tariff Schedules of the United States.

It is interesting to note that several parties have provided comments to the House Ways and Means Committee, Subcommittee on Trade, on H.R. 5337, a Bill substantially similar to S. 2474. The commentors have stressed the necessity of amending the Tariff Schedules to provide a statutory definition of the term "flexible" for the sole purpose of eliminating preferential customs treatment for acrylic sheet under the Generalized System of Preferences (GSP). We respectfully submit that the enactment of a statutory definition of a Tariff term which finds no support among commercial practice, solely to accomplish the objective of removing a product from GSP eligibility, simply circumvents the Congressionally mandated GSP system.

Congress has carefully provided procedures by which interested parties may request the United States Trade Representative ("USTR") to remove articles from GSP eligibility (19 U.S.C. 2461-2465). One of the important provisions for the removal of GSP eligibility relates to situations where the importation of specific articles has proved to have an adverse impact on the domestic industry producing a like or directly competitive article (19 U.S.C. 2464). It is interesting to note that the domestic acrylic sheet industry has, on two prior occasions in the 1970s, requested the USTR to remove GSP eligibility for acrylic sheet classifiable under Item 771.41, TSUS. In 1977 and 1978, the USTR determined that imports of acrylic sheet were not producing any significant impact on the domestic acrylic sheet industry, and that the U.S. policy objectives underlying the GSP program would be furthered by the continued GSP eligibility of acrylic sheet. On June 1, 1984, Rohm and Haas Company filed a new petition with USTR and again requested that GSP eligibility for acrylic sheet from Taiwan be eliminated. On July 16, 1984, the USTR announced that it had accepted the Rohm and Haas petition to include acrylic sheet from Taiwan in the 1984 GSP annual product review (49 FR 28783). Thus, the very purpose which this Bill appears to be designed to serve, namely, the elimination of GSP eligibility for acrylic sheet from Taiwan, is already under consideration by the USTR.

Finally, several comments submitted by interested parties to the House Ways and Means Committee, Subcommittee on Trade, stressed that the domestic acrylic sheet industry had filed an antidumping petition against acrylic sheet from Taiwan and that the International Trade Administration of the Department of Commerce had determined that there were some sales at less than fair value and that the International Trade Commission (ITC) had issued a preliminary determination of material injury to the U.S. industry. The Senate Subcommittee on International Trade should be advised that subsequent to the submission of these comments to the House Subcommittee the ITC issued a unanimous (5-0) determination that the domestic acrylic sheet industry was _not_ suffering material injury by reason of imports of acrylic sheet from Taiwan. Indeed, the ITC found that the domestic acrylic sheet industry had enjoyed, in 1983 and for the early part of 1984, tremendous increases in sales and profits and that the domestic industry was outpacing the profit levels for all U.S. industries.

In conclusion, we respectfully submit that S. 2474 should not be adopted. Quite simply, there is a fundamental lack of unanimity within the acrylic sheet industry as to the proper definition of the term "flexible." In the absence of such unanimity, customs jurisprudence provides that the tariff term should be given their common meaning. Furthermore, the apparent intent of the proposed legislation, i.e., removal of GSP eligibility for acrylic sheet from Taiwan, is more properly the subject of the USTR annual product review, under laws already enacted for that specific purpose. The fact that USTR is currently investigating continued GSP eligibility for acrylic sheet from Taiwan is evidence that the Congressionally established review procedures are working. For all of these reasons, we respectfully submit that S. 2474 should not be adopted.

We appreciate the opportunity to provide these comments and hope they will be useful to the Subcommittee in its further consideration of this proposed legislation.

Very truly yours,

David R. Amerine

David R. Amerine

DRA:pm

COMMENTS
OF
BEAUMONT OIL INC.
ON
S. 2479

SUBMITTED TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE

JULY 19, 1984

COMMENTS
OF
BEAUMONT OIL INC.
ON
S. 2479
SUBMITTED TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE

Beaumont Oil Inc. is a small and independent gasoline producer that manufactures gasoline by upgrading lower value hydrocarbon mixtures with higher octane blendstocks such as catalytic naphtha, platformate or reformate and pyrolysis gasoline. Beaumont Oil supports the enactment of S. 2479, introduced by Senate Lloyd Bentsen, which will amend the Tariff Schedules of the United States to eliminate a technical anomaly. This bill, and its House counterpart H.R. 4232, will provide domestic gasoline producers with access to vital blendstocks which they can only obtain from foreign sources and which, at the present time, are prohibitive to import.

Classification of Gasoline Blendstocks as Benzenoids

Currently, the United States Custom Service (Customs) classifies certain imported hydrocarbon mixtures, commonly utilized as gasoline blendstocks by the domestic petroleum industry, as benzenoid compounds, rather than as petroleum products. The foreign petroleum products used most frequently in the production of gasoline that are now often classified by Customs as benzenoid compounds are (1) catalytic naphtha, (2) platformate or reformate, and (3) pyrolysis gasoline. These blendstocks are produced generally by cracking or reforming refining processes, which also results in the formation of benzenoid chemicals. Because of this sometimes minimal benzenoid chemical content, Customs classifies these blendstocks as benzenoid compounds, rather than naphthas.

Duty Levels Vary Widely Depending on Classification

Motor gasoline is subject to a Customs duty of $.0125 per gallon or $.525 per barrel, while naphtha is subject to a duty of $.0025 per gallon or $.105 per barrel. Benzenoid compounds are subject to a much higher duty of 17.3 percent *ad valorem* plus $.011 per pound. Thus, the duty as benzenoid compounds will be approximately $.22 per gallon, or in the range of $8.00 to $9.00 per barrel.

Congressionally Mandated De Minimis Benzenoid Threshold

Headnote 1 to Schedule 4, Part 10 of the Tariff Schedules of the United States Annotated (TSUSA), 19 U.S.C.

§ 1202 (Headnote 1), which covers "Petroleum, Natural Gas, and Products Derived Therefrom," states that Part 10 does not apply to any "fuel oils, motor fuel, and lubricating oils and greases, containing by weight more than 25 percent of any product" described in Schedule 4, Part 1 of the TSUSA relating to "Benzenoid Products and Chemicals." Thus, wherehas Congress appears to have adopted in the TSUSA a de minimis threshold of 25 percent of any single synthetic or naturally occurring benzenoid product that must be exceeded in order for a mixture of hydrocarbons that otherwise meets the specifications for a fuel oil, motor fuel or lubricating oil or grease to be properly classifiable by Customs as a benzenoid product, Customs applies a 5 percent de minimis threshold in the case of benzenoid content in naphthas. Catalytic naphtha, reformate and pyrolysis gasoline almost invariably would not exceed the de minimis level of 25 percent of any single benzenoid product.

Unsuitability of Gasoline Blendstocks for Use as Benzenoids

Additionally, this 2-1/2 to 5 percent de minimis threshold is inappropriate because the benzenoid chemicals contained in these blendstocks can be commercially utilized only in the production of gasoline. The synthetic benzenoid products contained in gasoline components are neither integral to the character of these components nor sought by a domestic gasoline producer in the acquisition of these components, but are only by-products of petroleum reforming or cracking that cannot be economically extracted for any of the possible higher value chemical uses.

Classification of imported naphtha blendstocks as benzenoid chemicals effectively prohibits their importation, since it creates the anomaly that components and intermediate products are assessed a higher rate of duty than finished product, namely finished gasoline. This bill takes the logical approach that naphthas which may contain a negligible amount of benzenoids should be assessed at the same rate of duty as pure naphtha, $.0025 per gallon. Otherwise, it is to the economic advantage of foreign governments to export finished gasoline to the United States, since the duty is lower than the component parts and therefore, the netback prior to the exporting country would be more for finished gasoline than the components.

Beaumont Oil appreciates the Subcommittee's attention to this pressing problem afflicting domestic gasoline producers that would be remedied by the enactment of S. 2479. We appreciate the opportunity to provide comments in support of this legislation.

COMMENTS
OF
THE LOUISIANA LAND AND EXPLORATION COMPANY
ON
S. 2479

SUBMITTED TO
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE

July 19, 1984

COMMENTS
OF
THE LOUISIANA LAND AND EXPLORATION COMPANY
ON
S. 2479
SUBMITTED TO
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE

Louisiana Land and Exploration Company (LL&E) supports the enactment of S. 2479 introduced by Senator Lloyd Bentsen to remedy a technical classification problem that now pragmatically precludes the importation of vital gasoline blending components containing certain benzenoid chemicals.

The high duty levels resulting from the United States Customs Service (Customs) classification of important gasoline components as benzenoid products now effectively precludes the importation of products necessary for upgrading the nation's refinery output. Identical high octane gasoline components that are produced domestically generally are not available to independent refiners. Thus, these vital gasoline components must be obtained by domestic small and independent gasoline producers from foreign sources. When the duties make these components prohibitive to import, the foreign sources simply export finished product to the U.S., which is detrimental to our balance of payments.

If Customs did not classify the imported gasoline blendstocks as benzenoid products, they would be classified by Customs as either naphtha or motor gasoline depending on whether they satisfy the specifications for gasoline contained in ASTM-D439.

Motor gasoline is subject to a Customs duty of $.0125 per gallon or $.525 per barrel, while naphtha is subject to a duty of $.0025 per gallon or $.105 per barrel. Benzenoid compounds are subject to a much higher duty of 17.3 percent _ad valorem_ plus $.011 per pound. Thus, the duty increases to approximately $.22 per gallon, or in the range of $8.00 to $9.00 per barrel, as a result of Customs' application of the high benzenoid chemical duty. Based on the similar use of these imported blendstocks, however, the naphthas containing benzenoid chemicals should be subject only to the duty payable on imported naphtha that does not contain benzenoid chemicals.

In the absence of corrective legislation such as S. 2479, the increase in the duties payable to Customs due to the classification of certain gasoline blendstocks as benzenoid products will continue to prohibit the importation of these imported petroleum products. As a result, U.S. refineries, especially those configured to process more plentiful, low quality crude oil that is less costly to our nation, are unable to obtain those gasoline components needed to optimize their product slates. Replacement volumes are not available domestically because larger U.S. refiners generally utilize their own output of these products internally. Thus, smaller domestic refiners are precluded from optimizing the value of their product output, which in turn reduces their potential contribution to the gross national product.

Ironically, finished gasoline can thus be imported at a lower cost than the component ingredients. Thus, the classification of these foreign source gasoline components as benzenoids inevitably results in the importation of greater volumes of finished gasoline at a higher price. The importation of gasoline priced higher than gasoline components not only exacerbates the nation's balance of payments deficit, but also deprives the United States of the value added, tax and employment benefits attributable to the domestic, rather than foreign, production of gasoline without any offsetting benefits.

In conclusion, therefore, we respectfully request that the importation of certain gasoline blendstocks containing benzenoid chemicals be permitted by the enactment of S. 2479.

This bill is the counterpart of H.R. 4232 which has been favorably reported by the Trade Subcommittee of the House Ways & Means Committee with a slightly different approach. Since both of these bills cure the anomaly in the present Customs practice, LL&E supports both bills. It should also be noted that the Administration supported the reported House bill in its letter of June 20, 1984 to Chairman Rostenkowski.

We appreciate this opportunity to comment on S. 2479 introduced by Senator Bentsen.

Before the
UNITED STATES SENATE
COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE

STATEMENT OF
PFIZER, INC.
and
TARTARIC CHEMICALS CORPORATION

IN SUPPORT OF S. 2493,
A BILL TO EXTEND THE TEMPORARY
SUSPENSION OF IMPORT DUTIES ON
TARTARIC ACID AND CERTAIN TARTARIC CHEMICALS

BARNES, RICHARDSON & COLBURN
475 Park Avenue South
New York, NY 10016
and
1819 H Street, NW
Washington, D.C. 20006

E. Thomas Honey
Gunter von Conrad
Matthew T. McGrath
Of Counsel

July 20, 1984

This statement is submitted on behalf of Pfizer, Inc., 235 E. 42nd Street, New York, NY, and the Tartaric Chemicals Corporation, 515 Madison Avenue, New York, NY ("TCC"). Both companies import certain tartaric chemicals. In addition, Pfizer is a producer of chemicals and pharmaceuticals in the United States. Pfizer and TCC strongly support the passage of S. 2493, introduced by Senator Moynihan on March 29, 1984, to extend for four years the duty suspension which recently expired for certain imported tartrates. The suspension of tariffs for this product will continue to make available to U.S. purchasers, at a lower cost, products which are not manufactured in the United States, and for which the regular tariff rates are unjustifiably restrictive and inflationary. Furthermore, the production processes involved are of such a nature that it is extremely unlikely that any domestic tartrate production will be undertaken in the foreseeable future. Therefore, we support the passage of S. 2493. Because the duty suspension which the bill is intended to extend expired on June 30, 1984, it is requested that S. 2493 be amended to provide that entries of the articles in question since June 30 be liquidated or reliquidated without regard to duties.

Product Description

Tartaric acid is a dibasic dihydroxy acid which occurs in grapes as potassium salt. During the fermentation of wine, the potassium is deposited in the vats, and is extracted for use in producing tartaric acid. Crude tartars, the raw materials used for the chemical reactions which yield tartaric acid, may be recovered from the crystallized residues from grape juice press cakes, or from crystalline crusts which form in wine vats during the secondary fermentation period. Tartars may also be recovered from lees, the dried wine fermentation sediments composed of yeast cells, pectinous substances and tartars. Because of annual variations in the cost of raw materials and inconsistencies in chemical processes, tartaric acid has not generally been produced synthetically in commercial form. Thus, the producers of tartrates rely heavily on the natural fermentation methods developed in Italy and Spain as an adjunct to the wine production industries in those countries. The following are the specific tartaric products addressed in S. 2493, and which are presently subject to a temporary duty suspension:

(1) Tartaric Acid, which is imported in powder or granular form, is used as an acidulant in carbonated and still beverages, and in the manufacture of gelatin and pectin jellies for candies, where it is used to provide the proper flow characteristics for casting. The acid, in combination with its salts, may be used in paste and powder cleansers, and for electrolytic polishing of copper and ferrous metals. Tartaric acid is used as a mordant in textile dyeing, for photographic developing and for blueprinting.

(2) Rochelle Salt, or sodium tartrate, is derived from crude tartars in a filtration process, and is also imported in a granular form. It is particularly useful as a bath component in electroplating various metals and alloys, and is used in the silvering of mirrors. Rochelle salts may be used medicinally in effervescing powders, and as an emulsifying agent in processed cheeses.

(3) Cream of Tartar, or potassium bitartrate, may be produced by combining tartaric acid and Rochelle salt solutions with potassium sulfate, which is then heated, filtered and purified. It is imported in granular or powder form, and may be used in baking powder or prepared baking mixes, or for the aeration of cakes. Cream of tartar is used in the electrolytic tinning of iron and steel and in gold and silver coating of metals. The application of a cream of tartar solution to metals deters oxide formation prior to plating.

(4) Tartar Emetic, potassium antimony tartrate, results from the combination of potassium bitartrate and antimony oxide in a reaction vessel, and is produced and imported in crystalline form. It may be used medicinally as an expectorant or emetic, or industrially as a dyeing mordant in cotton, leather or fur. It may also be used in textile printing to inhibit or retard the discoloration of textile materials.

Tartaric acid, cream of tartar, and tartar emetic are not produced in the United States. Rochelle salts, which is derived from imported tartrates, is produced only in small quantities in the United States, and only by Pfizer. Domestic production capacity is insufficient to meet total U.S. demand.

Prior Tariff Treatment

The chemicals which are the subject of this bill, until June 30, 1984, were provided for in Part 1 of Schedule 9 of the Tariff Schedules of the United States, items 907.65, 907.66, 907.68 and 907.69, subject to temporary legislative duty suspension. In the absence of such suspension, these products would be classified and dutiable as follows:

TSUS	Product	1984 Rate
425.94	Tartaric Acid	5.1% *ad. val.*
426.72	Tartar Emetic	1.9% *ad. val.*
426.76	Cream of Tartar	5.5% *ad. val.*
426.82	Rochelle Salts	4.7% *ad. val.*

Upon the expiration of the temporary suspension on July 1, 1984, the tariff reverted to these column 1 rates of duty, increasing the cost of these products to the purchasers, processors, and consumers.

Congressman Green of New York has introduced parallel legislation in the House during this Session, H.R. 4513, which was reported favorably by the Subcommittee on Trade of the Committee on Ways and Means on June 27, 1984.

In reporting favorably on the original duty suspension legislation,[1] the Committee on Ways and Means noted that the conversion of these tariffs from specific to *ad valorem* equivalent rates of duty during the Multilateral Trade Negotiations had failed to take account of inflationary price increases which occurred subsequent to the time of the underlying calculations on which the *ad valorem* conversions were based. The Committee concluded that "...the threefold tariff increase due to conversion was so large a cost as to have an extremely burdensome and immediate effect on imports, and [the Committee believes] that the importers should not be penalized as a result." H. Rep. No. 97-257, 97th Cong., 1st Sess. 15 (Sep. 25, 1981).

---

[1] H.R. 1910, introduced by Congressman Green of New York during the 1st Session of the 97th Congress. The bill was enacted as Section 139 of P.L. 97-446.

A Continued Duty Suspension for Tartrate Imports Would Benefit Consumers and United States Business

The producers and consumers of the range of products listed above which are manufactured with imported tartrates would receive the benefit of the tariff suspension extension in S. 2493. The upward trend of the cost for tartrates has continued since the suspension was first enacted, more than tripling for tartaric acid alone. The reversion of the tariffs to the pre-suspension rates would re-impose the substantial burdens which faced importers and purchasers after the conversion of specific to ad valorem rates of duty in 1980. The duties assessed on these products would likely result in increased prices of 2 to 6 percent to U.S. purchasers. Furthermore, extreme short-term fluctuations in price, caused by periodic shortages of tartrate raw materials, can result in unexpected and rapid price escalation, which would only be compounded by a reversion to the duty rates provided in column 1 of the Tariff Schedules. Since there is no domestic industry producing tartrates which requires tariff protections, and since no interest has been exhibited by domestic concerns to produce tartrates during the period of the duty suspension, there is no reason to revert to such inflationary duty rates. Indeed, numerous U.S. manufacturers of products listed above, such as food processors and pharmaceutical producers, would continue to benefit from a suspension of duties through lower raw material costs.

The tariff burden which would be borne by importers of tartrates from Italy, Spain and France, in the event of reversion to the normal duty rates, is of particular concern. As was noted in comments supporting the original duty suspension, the quality of tartrates produced in Europe is considered superior by many industrial purchasers in the United States, and there exists a market preference for tartaric chemicals of Italian, Spanish or French origin, depending upon the requirements for end-use of the product. Since the production of quality tartrates is more costly, the import value, and hence the assessed duty, is higher than for tartrates produced under less costly processes from cheaper raw materials. In addition, these products are eligible to receive duty-free treatment when imported from beneficiary developing countries under the Generalized System of Preferences. Thus, although the quality of the European product is generally preferred, lower-priced, duty-free imports continue to exert strong competitive pressure as tartrate prices escalate. As the Committee on Ways and Means concluded in 1981 "[t]he suspension would assist U.S. importers of the chemicals from Italy and Spain to compete with tartaric products entered duty-free from Argentina under the Generalized System of Preferences." H. Rep. No. 97-257, 97th Cong., 1st Sess. 15 (1981). The recently expired suspension has had the desired effect of restoring a competitive balance between the dutiable and duty-free imports, and the balance would be upset if duties were to revert to their previous ad valorem rates.

The duty suspension which would be extended by this bill expired on July 1, 1984. Since the conditions under which the original suspension was enacted remain unchanged, Pfizer and TCC request that S. 2493 be amended to provide that entries of the four tartrates previously under suspension, imported on or after July 1, 1984, be liquidated or reliquidated as if the tariff suspension extension provided in S. 2493 were in effect on the date of entry. This amendment will assure that the intended effect of the duty-free treatment will not be disrupted by the lapse in the tariff suspension.

In conclusion, Pfizer and TCC strongly favor the extension of the temporary duty suspension on tartrates, as set forth in S. 2493. The current suspension has benefited importers and purchasers of these products, without adversely affecting any domestic industry or workers, and without resulting in any significant loss of tariff revenue to the U.S. Treasury. A continued tariff suspension will maintain the competitive balance between dutiable and duty-free imports. Since the unique tartrate production processes are not easily and economically adaptable to the U.S. production methods, Pfizer and TCC believe that a continued tariff suspension will not discourage efforts to commence production of these tartrates in the United States. During the 97th Congress, both the House Committee on Ways and Means and the Senate Committee on Finance reported favorably on the legislative suspension, and the Administration did not oppose the measure. Pfizer and TCC submit that a reversion to the normal duty rates would simply increase the cost of these products to U.S. manufacturers and consumers, while yielding no positive results. Therefore, the tariff suspension for tartaric acid, tartar emetic, cream of tartar, and Rochelle salts should be extended, and it is respectfully requested that the Committee report favorably on S. 2493.

Respectfully submitted,

PFIZER, INC.
and
TARTARIC CHEMICALS CORPORATION

By: Matthew T. McGrath

BARNES, RICHARDSON & COLBURN
475 Park Avenue South
New York, NY 10016
and
1819 H Street, NW
Washington, D.C. 20006

E. Thomas Honey
Gunter von Conrad
Matthew T. McGrath
Of Counsel

July 20, 1984

MOSSBERG INDUSTRIES INC.
Cumberland Operation

160 Bear Hill Road, Cumberland, Rhode Island 02864 • 401-333-3000 • Telex: WUI-6814088-MSBRG

July 27, 1984

The Honorable Robert Dole
Chairman Committee on Finance
The United States Senate
SD 219
Washington, DC 20510

Attention: Ted Kassinger

Reference: S2542

Dear Senator Dole:

We object to this bill as it is presently written. However, if the descriptive wording can be changed to "decorative braiding machine using the Jacquard System", we have no objections.

It is our understanding that the house bill H.R. 5283 has been changed accordingly.

Thank you for your cooperation.

Very truly yours,

MOSSBERG INDUSTRIES, INC.

Malcolm G. Chace, III
President

MGC/jd

cc: Senator John Chafee
SD 567
Washington, DC 20510
Attn: Sandra Taylor

CUMBERLAND, RHODE ISLAND • GARRETT, INDIANA • GARDENA, CALIFORNIA

Statement in Support of S. 2542

Submitted to the
Subcommittee on International Trade
Committee on Finance
U. S. Senate
by the
Northern Textile Association
211 Congress Street
Boston, Massachusetts 02110

July 17, 1984

The Northern Textile Association represents textile manufacturers located principally in the Northeast but also in various other parts of the country. The Elastic Fabric Manufacturers Council of the Association consists of the principal manufacturers of narrow elastic fabrics in the United States.

Members of the Elastic Fabric Manufacturers Council strongly support S. 2542, a bill introduced by Senator John Heinz. This bill would temporarily suspend the existing Column I rate of duty on lace braiding machines and their parts.

The machines covered by this legislation are used in the production of decorative rigid and stretch lace, which has a wide variety of end uses in apparel and home furnishing products. This equipment, and all proprietary parts, are not available from domestic manufacturers and must be purchased from foreign manufacturers. Narrow fabric manufacturers therefore believe that there is no reason for the federal government to impose a duty on these particular machines and their proprietary parts, currently assessed at 5.6 % ad valorem.

As the economic recovery in the United States continues, narrow fabric manufacturers have begun the purchase of these machines from foreign sources. The companies regard these purchases as a vital part of their modernization programs and believe that this equipment will enable them to remain competitive in both domestic and international (export) markets.

There are currently 4 plants throughout the country which produce decorative rigid and stretch lace. These facilities employ about 600 people with an estimated combined annual payroll over $ 8 million.

We estimate that approximately 700 lace braiding machines are currently in use. Approximately $ 160,000 of lace braiding machinery was imported in 1983 alone. When narrow fabric manufacturers purchase these new foreign built machines, which sell for approximately $ 16,000 per unit, they are penalized by the duty of about $ 896 per machine. The penalty, of course, must be reflected in the ultimate price of the product in the marketplace. Conversely, if manufacturers do not purchase the machinery, their products will not benefit from the manufacturing flexibility offered by this new, high-technology equipment.

During the 1979 Multilateral Trade Negotiations, it was agreed that the U.S. duty on these machines would phase-down from 7 % ad valorem in 1979 to 4.7 % ad valorem by 1987. This clearly provides little relief at this time when manufacturers' purchases of these machines are increasing and there is no domestic alternative source of purchase.

Enactment of S. 2542 will be beneficial to American manufacturers as well as consumers. Suspension of the existing duty on these machines and their proprietary parts until July 1, 1987 will encourage narrow fabric firms to continue to replace outdated equipment. Purchasing the new equipment without the penalty of a tariff will assure that decorative rigid and stretch lace products will be more competitive at home and abroad.

Purchases of foreign-made machinery and proprietary parts should also stimulate employment and exports. The U.S. narrow fabric industry had established an export market which will be stimulated when foreign exchange values are reduced. Decorative rigid and stretch lace products are in great demand by designers and manufacturers and domestic producers must be prepared to meet this demand. For these reasons, we respectfully urge the Finance Committee to approve S. 2542.

WYOMISSING CORPORATION
AN ALCO STANDARD COMPANY

July 18, 1984

The Honorable John Danforth
Chairman International Trade Subcommittee
Committee on Finance
FD-219 Dirksen Building
Washington, DC 20510

Dear Senator Danforth:

The Wyomissing Corporation strongly urges the International Trade Subcommittee to approve S2542, a bill which should temporarily suspend the existing duty on decorative lace braiding machines. This equipment is a vital part of our productive capacity.

Since we continually purchase new machines and spare parts suspension of the duty rate should make expansion more attractive and, to some degree, help us maintain our competitive position.

We are hopeful that Congress will approve this important legislation.

Sincerely,

Robert B. Harris
Vice President &
General Manager

RBH/mc

cc: William Reinsch
Chief Legislative Assistant
Office of Senator John Heinz
SR-277 Russell Building
Washington, DC 20510

JANTZEN INC 1431 BROADWAY · NEW YORK, NEW YORK 10018 · (212) 354-9270

Jantzen

July 5, 1984

The Honorable Robert Dole
141 SHOB
Washington, D.C. 20510

Dear Senator Dole:

Jantzen Inc., a major domestic manufacturer of men's and women's apparel (swimwear, activewear, leisurewear and sweaters), needs your help and support. The relentless increases in imported apparel employs us to continuously update all phases of manufacturing. As a major sweater manufacture it is now impossible to purchase U.S. made state-of-the-art circular sweater strip machinery. As an import impacted industry we continue to modernize. To further burden an already threatened industry with additional duty costs makes no sense. We would ask that you join with the Honorable Senator from Pennsylvania, John Heinz, in co-sponsoring S. 2613 to suspend the duties on circular sweater strip machinery. The equipment in question is not a major import nor is the legislation requested critical to our industry. Its passage would tend to reduce the cost of the much needed equipment to domestic manufacturers thus reducing manufacturing costs. There would be no penalty to other producers as the equipment is not manufactured in the U.S.

We would hope that this bill be placed in the Congressional process this session. We believe the request to be non-controversial.

Sincerely,

Michael C. Frino
Senior Merchandising
Product Manager

MCF:ew

STATEMENT OF

SETH M. BODNER
EXECUTIVE VICE PRESIDENT
NATIONAL KNITWEAR & SPORTSWEAR ASSOCIATION

In Support Of
S. 2613

A Bill to Suspend the Duties on Circular Knitting
Machines Designed for Sweater or Garment Length
Knitting Until the Close of December 31, 1989

Before The

Subcommittee on International Trade
Committee on Finance
United States Senate

July 20, 1984

STATEMENT OF

SETH M. BODNER
EXECUTIVE VICE PRESIDENT
NATIONAL KNITWEAR & SPORTSWEAR ASSOCIATION

In Support Of
S. 2613

July 20, 1984

The National Knitwear and Sportswear Association is the domestic trade association for U.S. knitwear and sweater producers. Our more than 400 member firms are located throughout the United States including Ohio, California, and the southern tier of states, but we are especially concentrated in the Northeast, particularly New York, New Jersey, Pennsylvania and the New England states.

This statement is submitted in support of legislation S. 2613, introduced by Senator John Heinz (R-PA) which would suspend the duties on circular knitting machines designed for sweater strip or garment length knitting. Currently, such machines are dutiable at 4.9 percent. And while they are not at the present time being imported in vast numbers, their very expense -- estimated to be $80,000 and up for the new electronic models -- makes the duty a substantial financial burden which acts as a drag on the purchase of these machines. Temporarily suspending the duties on the circular knitting machines which are the subject of this legislation would pose no threat to domestic textile machinery producers because these machines are no longer made in this country. Conversely, suspending the duties on these machines will provide some real benefits to domestic sweater producers by allowing them to obtain the latest technology without the added and unnecessary cost of the duty. Such equipment helps domestic sweater producers stay competitive with the onslaught of sweater imports from extremely low wage foreign countries. Such sweater imports come from many countries, and frequently are produced on antiquated equipment, but at wage rates as low as 16 cents per hour which cannot be overcome by even the most modern technology. Nevertheless, the domestic sweater industry is endeavoring to make a maximum effort to modernize its facilities through the acquisition of new equipment.

The American sweater industry has experienced the pressures of import competition to a greater extent than most other industries in our country. Notwithstanding a number of actions undertaken by the Administration last year to achieve better controls on imports, sweater imports surged to an all time record level of more than 174,780,000 pieces in 1983, accounting for more than 60 percent of the domestic market. Most of these garments came from the low wage Far East countries where the labor intensive nature of the product results in a substantial competitive cost advantage against U.S. manufactured goods.

Currently, the major suppliers of circular knitting machines to the United States are Spain, Italy, and the United Kingdom. This is not a major trade item, and according to the statistics developed by the National Knitwear and Sportswear Association from U.S. Department of Commerce data, only 87 of these machines were imported into the United States in 1983. While these numbers do not suggest a major technological revolution, there is interest in this equipment within the industry and there have been some new developments in the equipment as better machines are coming on the market. To the extent a simple measure of this type can be of assistance to the domestic sweater industry, we certainly hope that the Congress will adopt it.

The domestic industry has been helped by import controls, but that help has been more in the nature of staving off complete chaos then it has been in providing solid domestic growth. Domestic industry conditions have improved somewhat as a result in large part of the existence of import controls and the improved access to electronic flat bed machinery made possible by an earlier duty suspension action of this Congress (the extension has expired but is currently in the process of being extended by the Congress). The action proposed here of expanding that duty suspension to cover circular sweater strip machinery will be an additional help. I urge early and favorable action for this measure by the Subcommittee and the Congress.

EX IM
American Association of
Exporters and
Importers 11 West 42nd Street, New York, NY 10036 (212) 944-2230
Cable: AAOEXIM

August 9, 1984

Honorable John C. Danforth
Chairman, Subcommittee on
International Trade
United States Senate
Russell Senate Office Building
SR-497
Washington, DC 20510

Dear Senator Danforth:

The American Association of Exporters and Importers, on behalf of its members, respectfully requests an extension of the August 17 deadline for comment on S.2618, title II at least until September 30. We welcome the opportunity to comment on S.2618 and wish to give title II and the International Trade Commission's proposed classification modifications for the telecommunications industry the attention and analysis it deserves. However, we believe that fourteen days from the date of the notice is not enough time to get the necessary input from our industry members and to draft a response to this revamping of classification schedules for an industry which has envolved so far beyond the current scheme.

The members of AAEI in the telecommunication industry have begun a study of title II to determine its adequacy for statistical purposes and its descriptiveness in terms of industry developments.

Title II would change the Tariff Schedules of the U.S. (TSUS), which is in the midst of conversion into the Harmonized Commodity Coding System (HS). AAEI has been working for some years with the Government on this formidable task. We believe that a crosscheck of title II with the TSUS conversion into the HS and with Schedule B for exporters should best be undertaken while the HS is still being refined to avoid any possible discordances.

AAEI agrees that revision is necessary to allow the nomenclature to keep pace with the great advances in technology the industry has made in the last twenty years. The members of AAEI stand ready to work with you on this issue and other important trade matters in the future. We thank you for the opportunity to express our views.

Sincerely,

Eugene J. Milosh
President

cc: Roderick A. DeArment
Susan Schwab

STATEMENT OF

THOMAS B. SLEEMAN, PRESIDENT OF MOLYCORP, INC.

ON S. 2642,

A BILL TO SUSPEND UNTIL JULY 1, 1989,

THE DUTY ON YTTRIUM BEARING MATERIALS

Yttrium is used in laser technology and as phosphor in producing the red color in color televisions. It is also useful as a filament alloy in the electronics industry. In the national defense area, yttrium has a particularly important role. Yttrium in YIGs (yttrium iron garnets) is necessary for our national defense warning system receivers and for use in electronic counter-measure techniques.

The YIGs are used in the broadband oscillators and filters to cover the broad frequency spectrum used by Soviet military communications. Most communications use a narrowband frequency, but in trying to detect or jam enemy communications broadband frequency equipment is necessary. YIGs, for over 15 years, continue to be the state of the art in communications for the U.S. military in ships, airplanes, and ground installations.

Additionally, yttrium oxide is used in refractory insulating materials, strategic superalloys, and energy-saving fluorescent lights. Yttrium is needed in military and civilian jet engines, both as an alloying agent and as a coating for the turbine blades.

The two remaining U.S. refiners of high-purity yttrium oxide are dependent on imported yttrium concentrates for feedstocks because there are no significant domestic sources of yttrium. U.S. refiners must compete in the U.S. and in export markets with foreign refiners who have access to duty-free feedstocks. The U.S. imposes a duty of 5.9 percent on yttrium concentrates which directly affects our ability to compete in this small, highly competitive market.

Molycorp, Inc., a wholly-owned subsidiary of Union Oil Company of California, produces high-purity yttrium oxide in its Louviers, Colorado, plant. The other American refiners is the Research Chemicals Division of Nocor Corporation located in Phoenix, Arizona. Major foreign companies offering high-purity yttrium oxide in the U.S. include the large, French-government-owned company Rhone Poulenc, China Rare Earths of the People's Republic of China, the Norwegian company Megon, partly owned by the Norwegian government and the Japanese company of Mitsubishi Chemical and several Japanese processors.

The impact of the 5.9 percent import duty is such that it could force Molycorp, the largest yttrium oxide refiner in the U.S., to cease production. During the past decade, two other plants were operated by Michigan Chemical in Saint Louis, Michigan, and American Potash and Chemical in West Chicago, Illinois. Because of the significance of its military and commercial applications, it is important that the U.S. continue to have a present capability to refine yttrium. The advantages of having a national industry far outweigh the approximately $100,000 duty paid per year by the remaining two processors.

We wholeheartedly endorse S. 2642 which seeks to ensure the competitiveness of the American yttrium refining industry and allows American corporations who purchase yttrium oxide from us the guarantee of a continued domestic source of supply. Raw material sources for ytrrium include Japan, China, Canada, and Malaysia and are such as to ensure that we will be able to meet our production goals.

We thank you for the opportunity of commenting on S. 2642.

Thomas B Sleeman

Thomas B. Sleeman

President, Molycorp, Inc.

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

MURRAY H. FINLEY
President

JACOB SHEINKMAN
Secretary-Treasurer

SCOTT HOYMAN
Executive Vice President

AFL-CIO, CLC
815 SIXTEENTH ST., N.W. • WASHINGTON, D.C. 20006
(202) 628-0214

ELIZABETH M. SMITH, Director
Legislative and Political Education Department

July 27, 1984

STATEMENT OF THE
AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION
AFL-CIO, CLC

MURRAY H. FINLEY
PRESIDENT

JACOB SHEINKMAN
SECRETARY-TREASURER

to the

COMMITTEE ON FINANCE

UNITED STATES SENATE

S. 2680, A Bill to Provide the President with Authority to Accelerate Certain Staged Rate Modifications to the Tariff Schedules of the United States

ACTWU opposes enactment of S. 2680 during a time when the textile/apparel sector faces a trade deficit of such staggering proportions. In 1983, textile and apparel imports increased by 25 percent over 1982. In the first 4 months of 1984, textile/apparel imports increased by 49 percent over the same 4 months in 1983. Since 1980, we have lost over 200,000 jobs in the textile/apparel sector. Accelerating the tariff cuts will only stimulate imports -- and thus more job losses -- at a time when our industry and its workers are already reeling from the surge in textile and apparel imports.

During the MTN negotiations, the United States cut its textile and apparel tariffs an average of 4.5 percent. This is a greater cut than those made by any of our major trading partners -- Japan's averaged 2.5 percent and the European Community's averaged 3.5 percent. S. 2680 seeks to accelerate U.S. tariff cuts on textiles and apparel still further.

Moreover, textile products are subject to the Multifiber Arrangement (MFA) which will expire July 1986. Section 504 of the Trade Agreements Act of 1979 provides for a snapback of tariff rates on apparel and textile products to January 1, 1975 rates if the MFA is not renewed or a suitable successor arrangement is not in place. Section 504 is only operative, however, before the final rate of duty for textiles and apparel has become effective. If S. 2680 is enacted, the MFA would expire after most of the phased tariff reductions have been completed. Thus, enactment of this bill will mean greatly diminishing this country's leverage to secure renewal of the MFA or a suitable successor arrangement.

The Amalgamated Clothing and Textile Workers Union, along with many other organizations, supported the MTN. We did so based on the commitment that its tariff cuts would be phased in over a specified period of years. By requesting authority to accelerate the scheduled cuts in tariffs, the U.S. Government is breaking faith with those of us who were part of the process which brought about the successful conclusion of these negotiations.

We urge the Committee to reject S. 2680.

S. 2712, A Bill to Return the Ad Valorem and Specific Duties on Necktie Imports to the Levels in Effect as of January 1, 1981, for a Period of 5 Years

Many of ACTWU's members work in the necktie industry and the recent dramatic rise in necktie imports has made these workers very concerned about their future livelihood in this industry. A number of these workers have not developed skills which will be of much use to them outside the neckwear industry. Imports which cause job losses in this industry will lead to permanent displacement for many workers.

S. 2712 would temporarily increase duties on necktie imports to 1981 levels for a period of 5 years. The legislation is necessary because of the unprecedented increase in necktie imports which we could not have foreseen during the MTN negotiations when necktie duties were so drastically cut. Imports increased by 250 percent from 1980 to 1983. And the first five months of 1984 paints an even gloomier picture -- imports of neckties were 133 percent greater than the first five months of 1983. Import penetration has grown from just over 4 percent in 1980 to a projected 23 percent for 1984. Imports will also capture most of the projected growth in the U.S. market this year. We believe S. 2712 will help stabilize the necktie industry during this period of overwhelming import growth and help it adjust to new market conditions. ACTWU, therefore, urges the Subcommittee to pass S. 2712.

S. 2839, A Bill To Amend the Tariff Schedules of the United States Regarding the Classification of Certain Articles of Wearing Apparel

ACTWU strongly supports enactment of S. 2839, which closes a tariff loophole which allows garments classified as apparel "sets" to enter the United States at a lower rate than most individual garments.

As a result of the MTN tariff concessions, a lower duty rate was created on garments which were classified as "sets" than on the same garment which was classified individually. As a result, imports of so-called "sets" have been on the upswing in order to take advantage of the lower duty rates. S. 2839 closes this loophole by defining what constitutes an apparel "set" for tariff purposes. ACTWU urges enactment of S. 2839 to close what has clearly become a tariff loophole used by foreign apparel producers and domestic importers to avoid paying proper duty rates.

WILLIAMS & THORMAN
ATTORNEYS AT LAW

TELEPHONE (202) 785-1620
TWX: 710-822-9501
WILLKING WSH

JAMES D. WILLIAMS, JR.
BURTON R. THORMAN

ANN OTTOSON KING

A. RICHARD DE FELICE
OF COUNSEL

1620 EYE STREET, N.W.
WASHINGTON, D.C. 20006

July 20, 1984

Roderick A. DeArment
Chief Counsel
Committee on Finance
U. S. Senate
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Re: S. 2680

Dear Mr. DeArment:

In accordance with press release #84-154 dated July 5, 1984, we are submitting an original and five copies of a written statement on behalf of the American Cordage and Twine Manufacturers group (ACTM) in opposition to S. 2680, a bill which, if passed, could accelerate the negotiated staged tariff reductions on which domestic industries have relied.

Sincerely,

James D Williams Jr

James D. Williams, Jr.
Williams & Thorman
Counsel for ACTM

JDW:jhc
enc:

BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE
UNITED STATES SENATE

STATEMENT
ON BEHALF OF
THE AMERICAN CORDAGE AND TWINE MANUFACTURERS GROUP
(ACTM)

IN OPPOSITION TO S. 2680

JULY 20, 1984

Williams & Thorman
1620 Eye St., N.W.
Washington, D.C. 20006

James D. Williams, Jr.
Of Counsel

The American Cordage and Twine Manufacturers group (ACTM) is composed of six Regular Members who are manufacturers of twine and cordage products in the United States and one Associate Member who is a supplier to the domestic industry (list attached at A). This statement is submitted on behalf of ACTM in response to press release #84-154 which requested comments from interested parties in the private sector on various trade and tariff measures. ACTM is unequivocably opposed to the passage of S. 2680 which would impose an additional financial hardship on a traditional American industry already beleaguered by low-priced and improperly classified imports.

S. 2680, if passed as written, would give the President of the United States the authority to remove one year of the staged tariff reductions arrived at on a quid pro quo basis in the Tokyo Round of trade negotiations under the Trade Act of 1974. The practical result of this action would be to remove entirely one year of tariff protection for domestic industry. The year removed would not be the final year (1987, in most cases) when the rates would be lowest and United States industry would have some opportunity to plan for the removal; the year would be removed immediately so that an intermediate step in the staged reductions would be removed and the reductions themselves would end a year early - a double blow. This generalization of the effect only paints part of the picture.

For the individual firm, this acceleration would mean that all of its future plans, capital investment projections and marketing strategies would be invalidated. For U.S. cordage manufacturers, it would mean a reduction in duty for cordage of man-made fibers measuring under 3/16 inch in diameter, and of braided construction with and without core. The law on which they were entitled to rely, the negotiated staged tariff rate reductions, would be changed. We urge you not to pull the rug out from under a traditional American industry by passing S. 2680.

The domestic cordage industry has been using the time of the staged reductions to prepare itself to compete with imported products.

The domestic cordage industry has made great strides in reducing its costs since 1980 when the staged reductions went into effect. Most firms have improved efficency and productivity to a point where labor costs in this now capital-intensive industry amount to only 15-20% of costs. Overhead has been cut by reducing sharply the amount of inventory held and utilizing streamlined production techniques to maintain an appropriate level of customer service. Resources have been available to accomplish these cost reductions because the tariffs were being reduced gradually at a known rate; business plans could be made and followed.

Not only were costs reduced but capital was also injected into the domestic cordage industry. For example, Fibers South, Inc. of Trussville, Alabama built a new business by putting $3 1/2 million in working capital and equipment into an existing plant between 1982 and the present. The structure of the tariff schedules was carefully considered by the investors in the venture - their business projections relied upon the staged rate reductions for cordage tariffs.

Another example is Bridon Cordage of Albert Lea, Minnesota which spent $2. million on new plant, equipment and technology between 1980 and 1984; Bridon also relied upon the set, negotiated staged rate reductions in its planning and business projections. These long-term capital spending programs cannot be undertaken if realistic plans cannot be made. Investors will not provide capital unless they are provided with realistic sales projections. These projections cannot be drawn up when published tariff schedules are subject to sudden changes.

A sudden removal of one stage of the negotiated reductions would not only force domestic cutbacks but also invite an increased volume of low-priced imports.

The continuing goal of the U.S. Cordage industry has been to provide the farming and fishing industries with a reliable supply of high-quality products at reasonable prices. The cost cuts already made have left the high quality of the domestic products intact but there is no place else to cut without reducing product quality. If the duty rate were suddenly and unexpectedly cut, to stay in business U.S. firms would have to cut prices to meet the increased lower-priced imports which would move, in even greater volume, into the United States.

Any cut in quality would be at the expense of the farming and fishing industries. In time of national emergency, the United States would have to rely heavily upon its farming and fishing industries. Neither of these basic industries can operate without quality tying products. If the cordage industry is further damaged now, there will be no reliable source for high quality tying products for either of these basic industries or for the many direct defense applications such as camouflage netting, tarpaulin tie-downs and parachute harnesses.

An additional tariff reduction would be an open invitation to increase imports. In recent years, cordage imports under TSUS 316.55 have surged dramatically (chart attached at B). The dollar value has not risen to keep pace with the increase in volume, however. For example between 1981 and 1982 the volume increased by a whopping 264 percent while the dollar value rose a paltry 29 percent. The increased imports were obviously low-priced. These figures do not tell the whole story. Since 1981 increasing quantities of imported cordage have been misclassified, as described below. Because these imports are recorded in a "basket" category, mixed with many other items, there is no way to determine how much cordage imports have increased.

Due to the strength of the U.S. dollar and current high interest rates, foreign competitors enjoy a 20 percent advantage over U.S. manufacturers. This percentage represents a far greater advantage than was contemplated when the staged reductions were negotiated. Imports have already received an additional, unanticipated benefit over the negotiated reductions; to make an additional reduction would load another disadvantage on U.S. companies. The current status of the trade deficit (see attached at C) demonstrates the depth of U.S. industry's plight. Imports do not need a further easing of access to the U.S. market.

The U.S. cordage manufacturers face severe problems from imports: a sudden tariff reduction would exacerbate these problems.

Low-priced imports are increasing dramatically (see p. 3 supra and attachment B). The U.S. cordage industry has been cutting costs and modernizing to meet this competition (see pp. 2 & 3, supra). One major import problem is the misclassification of some imports of polypropylene cordage as "articles not specially provided for of rubber or plastic", TSUS 774.55. Despite the overwhelming tariff classification history that imported cordage should be classified as cordage and an appropriate duty paid, many imports are classified by U.S. Customs as other than cordage in a category to which GSP applies and thus no duty is paid. For example, Columbian Rope Company of Auburn, New York, has its production of polypropylene rope down more than 50 percent as a direct consequence of the importation of polypropylene cordage which is misclassified into the "basket category".

When a domestic industry faces severe import problems like those enumerated here, an open invitation to increased imports, in the form of a lowered duty, would inflame an already dangerous situation in the U.S. market.

An alteration in staged rate reductions would be contrary to U.S. trade policy as established by the Trade Act of 1974.

United States industry is entitled to rely on the stability of negotiated tariff reductions, that any agreement reached as a result of the authority of the Trade Act of 1974 would be binding. There has to be, particularly in trade law, a policy of legislative and administrative integrity. In this case, the Congress delegated to the President and the President negotiated the agreements. At that point, American industry was entitled to rely on those negotiations. They have made their plans in accordance with these agreements. S.2680 would represent a breach of faith with U.S. industry. The effect would be that of a negotiated trade cut minus the negotiation. If Congress adopts this legislation, U.S. industry will no longer be able to assume that the law is the law.

Attachment A

AMERICAN CORDAGE and TWINE MANUFACTURERS GROUP

Regular Members:

Blue Mountain Industries
Blue Mountain, AL

Bridon Cordage Inc.
Albert Lea, MN

Shuford Mills, Inc.
Hickory, NC

Fibres South, Inc.
Trussville, AL

Bevis Rope Manufacturing Co., Inc.
Rossville, GA

Cavnar Johnson Cordage Co., Inc.
Prattville, AL

Associate Member:

E. I. Dupont de Nemours & Comapny Inc.
Wilmington, DE

Attachment B

U.S. Imports for Consumption of Cordage of man-made fibers: 1979-1983

	Quantity (Pounds)	Custom Values ($1,000)
	(Under 3/16 inch in diameter)	(current TSUS #316.55)
1979	294,194	1,073
1980	200,338	989
1981	266,928	1,363
1982	785,821	1,753
1983	649,273	1,807

Source: Compiled from official statistice of the U.S. Department of Commerce.

Williams & Thorman
June 1984

Attachment C

Trade Deficit $19.4 Billion In Quarter

By Jane Seaberry
Washington Post Staff Writer

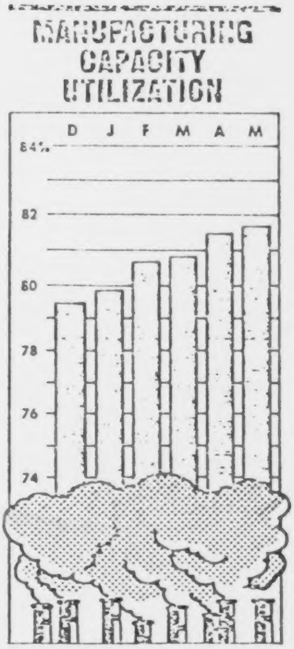
The U.S. current account trade deficit reached a record $19.4 billion during the first quarter this year, as the balance on merchandise trade continued to deteriorate at a record rate.

At an annual rate, the nation's current account deficit—trade in goods and services—was $77.6 billion in the first quarter, almost double last year's $41.6 billion deficit, the Commerce Department reported. In the first quarter of 1983, the deficit was $2.9 billion; by the fourth quarter it rose to $17.2 billion, the previous quarterly record.

The current account deficit for 1982 was $9.2 billion, compared with a $6.3 billion surplus in 1981.

In a separate report, the Federal Reserve Board said the nation's factories, mines and utilities operated at 81.7 percent of capacity last month, a slight increase from the 81.5 percent operating rate the previous month. The increase in capacity utilization slowed somewhat from previous months and was still below the 83 to 84 percent rate many economists believe would trigger shortages that could lead to price increases.

The trade report showed that net receipts for services increased $3.1 billion to $8.4 billion in the first quarter. The increase was largely due to a rise in income on U.S. direct investment abroad because of improved economic activity overseas and a shift to small capital gains from large capital losses in the fourth quarter, Commerce said.



By Kathy Jungjohann for The Washington Post

"While the services surplus should rise this year, the deterioration in the [merchandise] trade deficit, evident in the second quarter, means probable further increases in the current account shortfall," said Commerce Secretary Malcolm Baldrige.

Nonpetroleum imports rose $8.6 billion, which more than offset a small decline in oil imports and a modest increase in exports.

Services and merchandise trade have been hurt by the strong value of the dollar, which makes imports relatively cheaper than U.S. goods and makes exports less price competitive with goods abroad, economists have said. In addition, the U.S. economic recovery has provided

See ECONOMY, D2, Col. 4

Trade Deficit $19.4 Billion In Quarter

ECONOMY, From D1

more jobs and higher incomes for Americans to buy imports, a general occurrence following a recession.

In addition, the recovery in other countries has not picked up enough for foreigners to buy large amounts of U.S.-made goods, economists said.

Income from services is being undermined by higher interest and dividend liabilities held by foreigners, said Sara Johnson, senior economist for Data Resources Inc. The current account deficit must be financed by a net inflow of capital, which generates interest and dividend income for foreigners.

In addition, the Latin American debt problem reduced foreign earnings of U.S. banks and "that's beginning to show up" on the country's balance sheet, Johnson said.

During the first quarter, the merchandise trade deficit rose to $25.6 billion, the fourth consecutive record quarterly deficit. It was $19.4 billion during the fourth quarter last year.

Imports rose $8.6 billion to $79.8 billion "across a broad range of nonpetroleum' imports." Exports increased $2.3 billion to $54.2 billion, "primarily due to strong automotive exports to Canada and moderate increases in capital goods and agricultural commodities," Commerce said.

During the quarter, the dollar appreciated 3 percent on a trade-weighted average basis against currencies of 22 countries of the Organization for Economic Cooperation and Development and rose 1 percent against currencies of 10 select industrial countries, the Commerce Department said.

The Washington Post
June 19, 1984
p. D1 & D2

American Federation of Labor and Congress of Industrial Organizations

815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000

EXECUTIVE COUNCIL

LANE KIRKLAND PRESIDENT **THOMAS R. DONAHUE** SECRETARY-TREASURER

John H. Lyons
S. Frank Raftery
Glenn E. Watts
Angelo Fosco
Lloyd McBride
Wm. W. Winpisinger
Wayne E. Glenn
John J. Sweeney
Barbara Hutchinson
Gerald W. McEntee
Patrick J. Campbell
Thomas W. Gleason
Murray H. Finley
Sol C. Chaikin
Charles H. Pillard
Kenneth T. Blaylock
William H. Wynn
Robert F. Goss
Frank Drozak
Richard I. Kilroy
William H. Bywater
Kenneth J. Brown
Frederick O'Neal
Albert Shanker
Edward T. Hanley
J. C. Turner
Alvin E. Heaps
John DeConcini
Joyce D. Miller
James E. Hatfield
Vincent R. Sombrotto
Marvin J. Boede
Owen Bieber

July 20, 1984

Honorable John C. Danforth, Chairman
Subcommittee on International Trade
SD-219 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your press release of July 5, 1984, seeking written comments on certain miscellaneous tariff bills.

The AFL-CIO believes that both the current state of the economy and the negotiating position of the United States call for extreme caution in granting authority to reduce tariffs. Further at a time when Congress is looking for every dollar of possible revenue, it is a move in the wrong direction to cut revenue derived from tariffs.

With over 8 million Americans out of work and imports flooding into the American market displacing domestic production and jobs, tariff reductions simply do not make sense. The U.S. experienced a merchandise trade deficit of almost $70 billion in 1983, and the deficit will grow to at least $125 in 1984. As this crisis in trade intensifies, tariff cutting adds fuel to the fire, costing jobs and production by encouraging imports. In addition, businessmen are led to believe that movement of factories to other countries and/or expansion abroad or importing will be cheaper than producing in the United States. The result is a double incentive to erode the U.S. industrial base even further and to cut the jobs and production opportunities that can develop here.

These general views do not mean that every single proposal for tariff cutting falls into this category. The following comments on S. 2680 represents the views of the AFL-CIO.

The AFL-CIO opposes S. 2680 which authorizes the acceleration of the staged tariff rate reductions agreed to in the Tokyo Round of the Multinational Trade Negotiations. Presumably, the timing of these reductions was carefully considered during those negotiations, and the acceleration of tariff cuts will not be beneficial to domestic industry and American workers. From 1980 to 1983, imports to the U.S. increased by 30 percent and have been increasing even faster in 1984. The minimal tariff protection provided in current law should not be reduced.

Sincerely,

Ray Denison

Ray Denison, Director
DEPARTMENT OF LEGISLATION

c: all Members of Senate Finance Committee

Statement of the
American Fiber/Textile/Apparel Coalition

in opposition to

S. 2680

"Reciprocal Tariff
Reduction Acceleration
Act of 1984"

To the
Subcommittee on International Trade
Committee on Finance
U.S. Senate,

July 19, 1984

Statement of the American Fiber/Textile/Apparel Coalition
In Opposition to S. 2680,
"The Reciprocal Tariff Reduction Acceleration Act of 1984",
July 19, 1984

The statement is presented on behalf of the 21 members of the American Fiber/Textile Apparel Coalition (AFTAC), a group of trade associations and labor unions which make up the domestic fiber, textile and apparel industries. The members include:

-Amalgamated Clothing & Textile Workers Union
-American Apparel Manufacturers Association
-American Textile Manufacturers Insitute
-American Yarn Spinners Association
-Carpet and Rug Institute
-Clothing Manufacturers Association of America
-Industrial Fabrics Association
-International Ladies Garment Workers Union
-Knitted Textile Association
-Luggage & Leather Goods Manufacturers of America
-Man-Made Fiber Producers Association
-National Association of Hosiery Manufacturers
-National Association of Uniform Manufacturers
-National Cotton Council of America
-National Knitwear & Sportswear Association
-National Knitwear Manufacturers Association
-National Wool Growers Association
-Neckwear Association of America
-Northern Textile Association
-Textile Distributors Association
-Work Glove Manufacturers Association

The products manufactured by the coalition members include synthetic and natural fibers, yarns, fabrics, manufactured textile products, garments and other products whose chief characteristics are textiles. Most of these products will be negatively impacted by S. 2680 which proposes to accelerate the tariff reductions negotiated during the Multilateral Trade Negotiations (MTN). Therefore, the member organizations of AFTAC oppose this legislation.

The American textile/apparel industry has long been recognized as one that is adversely impacted by imports. For that reason the U.S. government has participated in a number of international agreements providing for orderly trade in textiles and apparel. Also, the U.S. International Trade Commission, prior to the tariff-cutting concessions made during the Multilateral Trade Negotiations examined the probable economic effects of such tariff reductions on textile and apparel products. The result of the ITC investigation was to confirm that in many cases, tariff reductions utilizing the full authority provided in the Trade Act of 1974 would lead to adverse economic effects on the domestic textile and apparel industry and its workers. Nonetheless, many tariff cuts on textiles and apparel were made during the MTN--although in many cases the cuts were less than that called for by the "tariff-cutting formula" used in the negotiations. Many people have argued that the tariff cuts finally agreed to on textiles and apparel were not extremely significant or important because they were not as great in many cases as were the cuts on other manufactured products. We believe that this argument is not correct and a fuller examination is undertaken below since it bears directly on the issues raised by S. 2680.

On a trade-weighted basis, the United States' average tariff on textiles and clothing before any MTN cuts was 23.5 percent. After all of the tariff concessions made by the U.S. on these products during the MTN are fully implemented the weighted tariff average will be 19 percent* which means that the United States cut its textile and apparel tariffs on average some 4.5 percentage points. This reduction was greater than reductions made by any of our major trading partners. Canada's average trade-weighted reduction on textiles and clothing was 2.5 percentage points; Japan's was 2.5 percentage points and the European Communities average reduction was 3.5 percentage points. Thus, the United States' concessions on textiles and apparel tariffs exceeded those of our trading major partners. Now, S. 2680 seeks to accelerate those concessions and in return we are told that our major trading partners will probably accelerate their concessions as well. The U.S. textile/apparel industry was the loser in the MTN tariff-cutting exercise and we will be losers in any acceleration of the tariff cuts, for a number of reasons beyond the apparent imbalance of textile apparel concessions that were agreed to during the MTN.

First of all, the domestic textile and apparel industry is in much worse shape today than it was in 1980 when the tariff

* Based on data from the GATT Secretariat, Geneva, Switzerland.

concessions began to be implemented. In 1980 the textile sector had a favorable balance of trade. Exports amounted to $3.6 billion while imports were $2.7 billion. Today, the reverse is true. In 1983 the textile sector's trade deficit amounted to -$1.1 billion with imports having grown from $784 million in 1980 to $3.5 billion. During this period imports of textiles increased 77.2 percent from 2.0 billion square yard equivalents (sye) to 3.5 billion sye in 1983. Exports declined some 44.1 percent in quantity terms over this period. Domestic production of textiles has grown only slightly during these four years and employment has declined from 848,000 workers to 744,000.

The situation is even worse in the apparel sector. Imports of apparel have grown from 2.9 billion sye in 1980 to 3.9 billion in 1983. The trade deficit has worsened from -$5.6 billion to -$9.5/billion and employment has declined from 1,264,000 workers to 1,169,000 workers. Now, with S. 2680, the industry is being asked to expose itself further to additional import penetration which can only lead to additional loss of jobs for American workers.

Another compelling reason to oppose this bill is because of its affect on the snapback provision provided in Section 504 of the Trade Agreements Act of 1979. Enactment of S. 2680 would lead to a significant loss of negotiating leverage for the United States during the renewal of the Multifiber Arrangement in 1986. The snapback clause states:

> The headnotes to Schedule 3 are amended by adding at the end thereof the following new headnote:
>
> 8. In the case of each item in this schedule and schedule 7 on which the United States has agreed to reduce the rate of duty, pursuant to a trade agreement entered into under section 101 of the Trade Act of 1974 before January 3, 1980, on any cotton, wool or manmade fiber textile product as defined in the Arrangement Regarding International Trade in Textiles, as extended on December 14, 1977 (the Arrangement), if the Arrangement, or a substitute arrangement, including unilateral import restrictions or bilateral agreements, determined by the President to be suitable, ceases to be in effect with respect to the United States before the total reduction in the rate of duty for such item under sections 101 and 109 of the Trade Act of 1974 has become effective, then the President shall proclaim the rate of duty in rate column numbered 1 for such item existing on January 1, 1975, to be the rate of duty effective, with respect to articles entered, or withdrawn from warehouse, for consumption, within 30 days after such cessation and until the President proclaims the continuation of such reduction under the next sentence. If subsequently the Arrangement, or a substitute arrangement, including unilateral import restrictions or bilateral agreements, determined by the President to be suitable, is in effect with respect to the United States, then the President shall proclaim the continuation of the reduction of such rate of duty pursuant to such trade agreement. For purposes of section 109(c)(2) of the Trade Act of 1974, any time when a rate of duty existing on January 1, 1975, is in effect under this headnote shall be time when part of such reduction is not in effect by reason of legislation of the United States or action thereunder.

This means that any tariff cut negotiated in the MTN which has not yet been fully implemented will snap back to its rate on January 1, 1975 if there is no Multifiber Arrangement or other substitute agreement governing trade in textiles and apparel in effect. When the present Multifiber Arrangement expires in July 1986 nearly all of the tariff rate reductions on textiles and apparel will have been completed if the tariff cuts are accelerated as proposed in S. 2680. This means that the U.S. will have forfeited a huge amount of negotiating leverage in renegotiating the Multifiber Arrangement if the provisions of S. 2680 are adopted.

Based on the import statistics of the past four years which we have provided above, it is obvious that a new international arrangement is needed which will considerably strengthen the existing arrangement. However, if S. 2680 is adopted the U.S. will have given up a tremendous weapon in its arsenal, namely the snapback clause, in obtaining the needed changes in the Multifiber Arrangement.

Another reason that these tariff cuts should not be accelerated is that exchange rate changes which have taken place during the four years since the tariff cuts have begun have eroded much of the protection afforded by tariffs. Because of the strengthening of the dollar during this period, we estimate that on a trade-weighted basis, the exchange rate impact has been essentially to double the price of our exports and to diminish the import prices of textile and apparel by some 40 percent.* This Administration has pursued fiscal and monetary policies aimed at purposely producing an over-valued dollar in order to increase imports from the developing countries with large foreign debt. Now with S. 2680, the Administration is

* The exchange rate impact on imports is estimated by weighting the exchange rate changes from June 1980 by the quantities of imports from the major suppliers to the U.S. The export impact is obtained the same way using as weights U.S. exports to our major markets and their exchange rate changes.

seeking to further reduce the level of protection which this industry was provided by accelerating the MTN tariff reductions.

Finally, we believe that S. 2680 violates commitments made by the Administration which concluded the MTN tariff reductions, commitments which that Administration made to the Congress and to the domestic textile and apparel industry. We would like to include in our statement an exchange which took place while the tariff cuts were being explained during the debate on the passage of the Trade Agreements Act of 1979. The Executive Branch through Ambassador Robert Strauss, then the Special Representative for Trade Negotiations, made its commitment unequivocably clear with respect to staging of tariff cuts. In an exchange with Senator Ribicoff on July 10, 1979, Ambassador Strauss stated that the tariff cuts are to be phased in beginning in two years over an eight-year period. Senator Ribicoff asked, and we quote,"Can the garment industry depend on your statement just given that that is the rate of cut that will be involved and put into place?". Ambassador Strauss replied, and again we quote, "Senator, yes. Let me tell you this. Damned near anybody can depend on a statement I make in a record like this before the Senate." This was taken from hearings before this subcommittee on July 10th and 11th, 1979. Part I of II parts, page 400.

Another adverse impact which an acceleration of tariff cuts will have on the government and on the economy will be the reduction in tariff revenue which this acceleration will produce. When all reductions are made, as stated earlier, the average tariff on textiles and apparel on a trade-weighted basis will amount to 19 percent. While it is very difficult to calculate exactly what the tariff revenue loss would be one can estimate its magnitude with, we believe, some reliability. If one assumes that the tariff cuts were made in equal increments over an eight-year period and that the total average trade-weighted tariff cut was 4.5 percent then the average trade-weighted tariff cut each year is 0.64 percent. If one also assumes that textile and apparel imports in 1986 will be $11.6 billion (the value of these imports over the 12 months ending March 1984) then the loss in tariff revenue will amount to about $74 million. This almost certainly underestimates the revenue loss since imports thus far in 1984 are some 49 percent above imports for the same period last year and continued import growth is almost certain given current U.S. trade policies. Nonetheless, let us restate our estimate. We believe that the one-year acceleration in tariff reductions will cost the U.S. Treasury at least $74 million in revenue loss in 1986.

It seems obvious that S. 2680 carries too high a price tag. The cost of S. 2680 will be lost tariff revenue, lost jobs for U.S. workers, lost leverage in MFA renewal negotiations and the violation of a commitment made by the Executive Branch to the Congress. The benefits can be defined as nothing more than some symbolic gesture against protectionism. This symbolic act carries with it some very real consequences, all of them adverse for the domestic textile and apparel industry. We urge the Subcommittee not to report favorably on S. 2680.

WILLIAMS & THORMAN
ATTORNEYS AT LAW

TELEPHONE (202) 785-1620
TWX: 710-822-9501
WILLKING WSH

JAMES D. WILLIAMS, JR.
BURTON R. THORMAN
ANN OTTOSON KING

A. RICHARD DE FELICE
OF COUNSEL

1620 EYE STREET, N. W.
WASHINGTON, D. C. 20006

July 20, 1984

Roderick A. DeArment
Chief Counsel
Committee on Finance
U.S. Senate
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Re: S.2680

Dear Mr. DeArment:

This letter serves to register the opposition of the American Netting Manufacturers Organization (ANMO) to S. 2680. By press release #84-154 dated July 5, 1984, comments were requested by the International Trade Subcommittee on this and other tariff and trade bills.

ANMO represents the domestic fish netting industry. Its members (see attached list) from various locations throughout the United States stand together in their unequivocal opposition to S. 2680. ANMO fully supports the position set out in the submission of the American Cordage and Twine Manufacturers group (ACTM) submitted to the International Trade Subcommittee on July 20, 1984. As a small, viable industry besieged by low-priced imports, (in 1983 imports accounted for 30% of U.S. consumption) ANMO feels that the open invitation to additional imports which would result from the passage of S. 2680 is an additional burden the United States Congress should not ask struggling domestic industries to bear.

Passage of S. 2680 would amount to a breach of faith with U.S. industry. Domestic industry has relied on the staged rate reductions negotiated under the authority of the Trade Act of 1974 to plan its modernization and capital expenditures. ANMO urges you to reject the proposed bill, S. 2680.

Sincerely,

Williams & Thorman
Counsel for ANMO
By Ann Ottoson King
Ann Ottoson King, Esq.

AOK:jhc

Blue Mountain Industries

July 17, 1984

Roderick A. De Arment,
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. De Arment:

Blue Mountain Industries manufactures fish netting and cordage products, employing approximately 650 people in Anniston, Alabama. We are opposed to S-2680 authorizing the acceleration of staged duty rate reductions affecting these items.

The enactment of S-2680 would further reduce our sales of cordage and netting products which has declined, and is continuing to decline because of lower-quality and lower-priced imports. Because of the high influx of imported cordage and fish netting, the U.S. market share is rapidly declining. These markets over the past 20 years has become considerably smaller because of the transition from natural fibers to synthetic fibers which have a longer life and a higher strength-to-weight ratio.

The cordage industry also has a 516 petition pending before customs involving a misclassification of cordage products. This misclassification, in addition to all of the above, has the cordage industry at the point that it may not survive.

We need some relief against imports, not further reductions or accelerations in current duty rates, which only makes it more difficult for a viable industry to survive.

We appreciate this opportunity to submit our statement opposing S-2680.

Sincerely,

BLUE MOUNTAIN INDUSTRIES

H.D. Whitlow

H.D. Whitlow
Vice President

HDW/bd

CAVNAR-JOHNSON CORDAGE COMPANY, INC.

MANUFACTURERS OF BRAIDED AND TWISTED -
SYNTHETIC AND COTTON ROPE AND CORD - NYLON SEINE TWINE
P.O. BOX 36 - PHONES 205-365-5416, 365-5901
PRATTVILLE, ALABAMA 36067

July 19, 1984

Committee on Finance
Room SD - 219
Dirksen Senate Office Building
Washington, D.C. 20510

Attn: Roderick A. De Arment, Chief Counsel

Dear Mr. Arment:

We in the cordage manufacturing industry in this country feel that if S. 2680 is passed it will be very detrimental to our domestic cordage industry. We are having a difficult time competing with foreign imports which are sometimes sold in this country at a cheaper price than we can purchase raw materials. We do hope that S. 2680 will not be passed in the Senate.

Sincerely,
CAVNAR-JOHNSON CORDAGE CO., INC.

J.D. Cavnar
J.D. Cavnar

FSI
FIBRES SOUTH, INC.
POST OFFICE BOX 189
TRUSSVILLE, ALABAMA 35173
TELEPHONE (205) 655-8817 TELEX 78-2578

July 20, 1984

Roderick A. De Arment, Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator De Arment:

It has been brought to our attention that a bill currently before Congress, S. 2680, is aimed at accelerating the rate of reduction of import duty of cordage items imported into the U.S.A. under Tariff Schedule TSUS-316.55.

Fibres South, Inc. manufactures a wide range of cordage items which fall under TSUS-316.55 and reducing the tariff rate on imported items classified for this tariff schedule will adversely affect this company. The shareholders of this company have, in the last 2½ years, injected $3,500,000 into the company by way of new machinery and additional working capital. This large injection of money has made the company viable and has protected the job security of the 75 people currently employed by Fibres South, Inc.

Opening the door to imported goods weakens and ultimately destroys domestic industry. Competition against imported cordage items is extremely difficult because the countries of origin usually subsidize their manufacturers to encourage exports to the U.S.A. There has been a very large increase in the quantities of cordage products imported into the U.S.A. within the last two years and this has almost destroyed the domestic rope manufacturers. It is our opinion, rope, twine and related cordage products are important strategic materials for the country's agriculture, fishing and general industrial activities. It is our view that the government of the United States of America should seek to enact laws to protect this important industry and prevent it falling into the hands of foreign manufacturers, we, therefore, respectfully urge you to oppose passage of S. 2680.

Yours sincerely for Fibres South, Inc.

Ian J Grant
Ian J. Grant
Vice President

IJG:ge

Collier, Shannon, Rill & Scott
Attorneys-at-Law
1055 Thomas Jefferson Street, N. W.
Washington, D. C. 20007

Telephone: (202) 342-8400
Telex: 440665 CSRS UI
Writer's Direct Dial Number
(202) 342-8505

Robert A. Collier
Thomas F. Shannon
James F. Rill
William W. Scott
David A. Hartquist
James M. Nicholson
Richard E. Schwartz
Richard S. Silverman
R. Timothy Columbus
Lauren R. Howard
Paul D. Cullen
Kathleen E. McDermott
R. Sarah Compton
Steven Schaars
Mark L. Austrian
Norman G. Knopf
William D. Appler
Jeffrey W. King

Walter Flowers
William F. Fox, Jr.
Don Bailey
Of Counsel

John B. Williams
Paul C. Rosenthal
Ralph A. Mittelberger
Thomas J. Hamilton
Jeffrey L. Leiter
Robert L. Meuser
Thomas A. Hart, Jr.
Michael R. Kershaw
Jeffrey S. Beckington
Michele A. Giusiana
David P. Hackett
Judith L. Oldham
Jeanne M. Forch
Laurence J. Lasoff
Christopher J. MacAvoy
Donald J. Patterson, Jr.
Randall J. Bramer
Kevin F. Hartley

July 20, 1984

Roderick A. De Arment, Esq.
Chief Counsel and Staff Director
Senate Finance Committee
219 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Mr. De Arment:

On behalf of domestic industries which are import sensitive, I submit this letter in opposition to S. 2680, a bill which gives the President the authority to accelerate by one year the staged tariff reductions resulting from the Multilateral Trade Negotiations.

The tariff cuts resulting from these worldwide negotiations were to be implemented in stages for one simple reason: domestic industries which would face increasing foreign competition as a result of the tariff reductions needed sufficient time to adjust to increased import competition. The rationale for the staging of these tariff reductions has not changed in recent years; indeed, for certain industries, the need for staged reductions has increased.

For these reasons, I urge that S. 2680 be disapproved.

Very truly yours,

Lauren R. Howard
LAUREN R. HOWARD

LRH:kp

ECS
ECONOMIC CONSULTING SERVICES INC.

July 20, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Re: Press Release No. 84-154: Miscellaneous Tariff Bills; S. 2680

Enclosed are six copies of the statement of the Leather Products Coalition in opposition to S. 2680, a bill to provide the President with authority to accelerate certain staged rate modifications to the Tariff Schedules of the United States.

The members of the Coalition are as follows:

Amalgamated Clothing and Textile Workers Union, AFL-CIO
Footwear Industries of America, Inc.
International Leather Goods, Plastics and Novelty Workers' Union, AFL-CIO
Luggage and Leather Goods Manufacturers of America, Inc.
United Food and Commercial Workers International Union, AFL-CIO
Work Glove Manufacturers Association

The articles produced by these organizations are footwear, work gloves, handbags, luggage, personal leather goods (flat goods), and leather apparel.

On behalf of the Leather Products Products Coalition, I appreciate this opportunity to share our concerns about S. 2680 with the Subcommittee on Trade.

Sincerely,

Stanley Nehmer
Stanley Nehmer
President

Consultant to the Leather
Products Coalition

Enclosures

1320 NINETEENTH STREET, N. W., WASHINGTON, D. C. 20036 (202) 466-7720

STATEMENT OF

LEATHER PRODUCTS COALITION*

1320 19th Street, N.W.
Washington, D.C.
(202) 466-7720

* Amalgamated Clothing and Textile Workers Union, AFL-CIO
Footwear Industries of America, Inc.
International Leather Goods, Plastics and Novelty Workers' Union, AFL-CIO
Luggage and Leather Goods Manufacturers of America, Inc.
United Food and Commercial Workers International Union, AFL-CIO
Work Glove Manufacturers Association

in opposition to

S. 2680

"Reciprocal Tariff
Reduction Acceleration
Act of 1984"

To the

Subcommittee on International Trade

Committee on Finance

United States Senate

July 20, 1984

SUMMARY

As detailed in our attached statement, the Leather Products Coalition is opposed to S. 2680, the "Reciprocal Tariff Reduction Acceleration Act of 1984" because:

- We consider a reduction in the staging period for the MTN cuts to be a breach of faith with U.S. industry and labor based on Executive Branch commitments made pursuant to the Trade Act of 1974 and the Trade Agreements Act of 1979.

- It will have a harmful impact on several leather-related product categories for which duties will be reduced precipitously and will cost $2.6 million in foregone revenues.

- The leather-related products sector and the nation as a whole face a trade deficit of such mammoth proportions that we cannot imagine why the Administration would possibly want to stimulate additional imports at this time. Imports of all leather-related products are increasing as never before and currently have import penetration rates ranging from 35 to 85 percent of the U.S. market.

- There is a substantial number of products produced by the leather-related industries which are classified as textile products. Such textile products are subject to the Multifiber Arrangement (MFA). The MFA will expire at the end of July 1986. Section 504 of the Trade Agreements Act of 1979 provides for a snapback of tariff rates on apparel and textile products to January 1, 1975 rates if the MFA is not renewed or a suitable successor arrangement is not in place. However, the snapback provision is only operative before the total reduction in the rate of duty for such textile and apparel items has become effective. If S. 2680 is enacted, the MFA would expire after most of the staged reductions have been completed. Thus, considerable leverage to secure renewal of the MFA or a substitute arrangement would be given up.

The Leather Products Coalition believes this legislation is highly controversial. It is not an innocuous piece of legislation. It also has major revenue implications. Therefore, we hope that the Subcommittee on International Trade will not favorably report it.

STATEMENT OF

LEATHER PRODUCTS COALITION
In Opposition To
S. 2680, "The Reciprocal Tariff
Reduction Act of 1984"

July 20, 1984

This statement is presented on behalf of the members of the Leather Products Coalition, a group of trade associations and labor unions in leather-related industries.* The organizations include:

Amalgamated Clothing and Textile Workers Union, AFL-CIO
Footwear Industries of America, Inc.
International Leather Goods, Plastics and
  Novelty Workers' Union, AFL-CIO
Luggage and Leather Goods Manufacturers of America, Inc.
United Food and Commercial Workers International
  Union, AFL-CIO
Work Glove Manufacturers Association

The products manufactured by these organizations include nonrubber footwear, luggage, handbags, personal leather goods, work gloves and leather apparel. Many of these products, with the exception of nonrubber footwear and leather apparel whose duties were not cut in the MTN, will be negatively impacted by S. 2680, legislation which has been proposed by the Administration to authorize the acceleration of staged rate reductions proclaimed to carry out trade agreements. We, therefore, oppose S. 2680.

According to a February 24, 1984 letter from Ambassador Brock published in the May 17, 1984 Congressional Record, the mechanics of the legislation would work in the following manner:

---

* The Footwear Division of the Rubber Manufacturers Association associates itself with the position taken in this statement.

> On the date of passage in 1984, the President would be able to proclaim the immediate application of the rates scheduled to be effective January 1, 1985. On January 1, 1985, the President would be empowered to proclaim the rates effective January 1, 1986, depending upon whether he determines that appropriate concessions have been made. On January 1, 1986, the President would again be empowered to proclaim the rates scheduled to be effective on January 1, 1987. [Emphasis Added]

We oppose this legislation for several reasons.

First, we consider a reduction in the staging period for the MTN tariff cuts to be a breach of faith with U.S. industry and labor. Section 109 of the Trade Act of 1974 established clearly the ground rules for the staging of tariff cuts. U.S. industry and labor gave their advice in connection with the MTN negotiations against this background. In the Trade Agreements Act of 1979, Congress modified the staging requirements somewhat in Section 503. But the Executive Branch was clearly on record that the norm was eight staged cuts with some exceptions specified in Section 503. Indeed in the case of textile products, some of which are the products of members of the Leather Products Coalition, Ambassador Robert Strauss, then the Special Representative for Trade Negotiations, made the commitment crystal clear in this exchange with Senator Ribicoff on July 10, 1979:

> Mr. Strauss: ... They are to be phased in, beginning in 2 years over an 8-year period.
>
> Senator Ribicoff: Can the garment industry depend on your statement, just given, that that is the rate of cut that will be involved and put into place?
>
> Mr. Strauss: Senator, yes. Let me tell you this. Damned near anybody can depend on a statement I make in a record like this before the Senate. (Emphasis added. Hearings before the Subcommittee on International Trade, Senate Committee on Finance, July 10 and 11, 1979. Part 1 of 2 parts. Page 400).

Our second reason for opposing S. 2680 is that it will have a harmful impact on several leather-related product categories for which duties will be reduced precipitously and will cost $2.6 million in foregone revenues to the U.S. Government (See Table 1). Let us cite some specific situations.

With respect to work gloves, several categories will be negatively affected by the bill's passage, including some categories for which the acceleration will have a significant impact. Two work glove categories, leather, and leather/fabric combination work gloves (provided for in TSUSA items 705.3510 and 705.3550) are scheduled to have their tariffs cut in one stage effective January 1, 1987. The tariff cut should never have been made in the first place, since it was done without consulting the Industry Sector Advisory Committee on leather products, despite a prior understanding that these products would not be cut. Because the tariff cut was made without this prior consultation, the U.S. Government agreed through Steven Lande, the STR official who negotiated this cut, that the reduction would not be made before January 1, 1987, the final year of the staged rate reductions. Thus, the Administration's proposal in S. 2680 would, in effect, exacerbate the error already made with respect to these work gloves by hastening a duty reduction that never should have occurred in the first place. The impact of the acceleration of this tariff reduction would be $328,000 in foregone revenues (Customs duties), based on 1983 import levels of $33 million, and assuming a mid-year 1984 enactment of this legislation.

Gloves of rubber or plastic (TSUSA item 705.8600) present a major problem for the work glove industry. Trade in this category is not insignificant. The value of 1983 imports was $5.3 million. This category received the full 60 percent cut during the MTN (Tokyo) round. In 1979, the ad valorem duty rate on gloves in this category was 35 percent. Today it is 21.9 percent and it is scheduled to be phased down to 14 percent effective January 1, 1987. The Administration's proposal would accelerate this process, beginning this year if the legislation is passed, by 2.6-2.7 percentage points per year, over a three-year period; the cumulative impact will be 6.6 percentage points over this time period assuming mid-year 1984 enactment of S. 2680, or $349,000 in foregone revenues based on 1983 import levels. This is not an insignificant amount in duties on this import-sensitive work glove category, particularly in light of the fact that work gloves in this category were denied GSP eligibility in 1982 because of import sensitivity.

Certain luggage, flat goods, and handbag categories will also be impacted by an acceleration in the staged reduction. Some 20 TSUSA categories of luggage, flat goods and handbags will be affected. In the case of three TSUSA categories, luggage, flat goods and handbags of textile materials, wholly or in part braid (TSUS items 706.32, 706.33, 706.34), the acceleration would reduce duties on imports by 1.5-1.6 percentage points per year over the next three years. Again, assuming mid-year 1984 enactment of S. 2680, the cumulative impact of the duty acceleration will be almost 4 percentage points. The value of imports in these three categories alone in 1983 was $5.6 million.

While these three luggage, handbag and flat goods categories will be impacted substantially under S. 2680 (the combined effect being approximately $234,000 in foregone revenues based on 1983 trade), each of the 20 categories affected by the acceleration will have a substantial cumulative impact over the three years they are phased in. In light of current import penetration in these industries (handbags, 85 percent; luggage, 50 percent; flat goods, 35 percent) an acceleration of the phased reductions is simply unacceptable at this time. Furthermore, to the extent imports will be priced lower because of the reduction in duties, domestically-produced goods competitive with imports will also have to be priced lower. Thus, one can conclude that the estimated loss in customs revenues of $2.6 million will be reflected in a comparable loss in revenues to domestic leather products producers.

Our third reason for opposing S. 2680 is that the leather-related products sector, and the nation as a whole, face a trade deficit of such mammoth proportions that we cannot imagine why the Administration would possibly want to stimulate additional imports at this time. An irony of S. 2680 is that it is in response partly to Japan that the Administration is requesting it -- Japan, with which we have a $22 billion trade deficit and which maintains quotas on imports from the U.S. of leather products of our industries. Imports of all leather-related products are increasing as never before and currently have import penetration rates ranging from 35 to 85 percent of our market, even at present duty rates.

Last, but not least, with respect to the substantial number of products of our industries which are classified as textile products, (these leather-related industries produce articles of leather, textiles, and plastics), we have an additional and compelling concern, and that is the effect of S. 2680 in relation to the provision in Section 504 of the Trade Agreements Act of 1979, Snapback of Textile Tariff Reductions. The snapback, in effect, provides some insurance for the import sensitive fiber/textile/apparel product sector if it should lose its protection under the Multifiber Arrangement, the international agreement on trade in textiles and apparel. Section 504 of the Trade Agreements Act of 1979 states:

> [I]f the Arrangement [Multifiber Arrangement] or a substitute arrangement, including unilateral import restrictions or bilateral agreements, determined by the President to be suitable, ceases to be in effect with respect to the United States before the total reduction in the rate of duty for such [textile and apparel] item... has become effective, then the President shall proclaim the rate of duty in rate column numbered 1 for such item existing on January 1, 1975, to be the rate of duty effective... (Emphasis added)

The MFA will expire at the end of July 1986 unless renewed. As the current staged rate reduction scheme exists, if the MFA is not extended, the fiber/textile/apparel complex will at least be protected by this provision which snaps back to the January 1, 1975 rate, the rates of duties on textiles and apparel. In effect, if S. 2680 is enacted the U.S. Government would be giving up considerable leverage to secure renewal of the Multifiber Arrangement (or a substitute arrangement) because the MFA is set to expire July 31, 1986, after the accelerated staged reduction (for most articles) called for in S. 2680 will be completed.

In conclusion, the MTN staged reductions were scheduled to be phased in over an 8-year period for most articles. This schedule was carefully worked out with U.S. industries, with labor and with Congress. For many industries this has been a painful adjustment process. We see absolutely no reason why this process should be accelerated. Indeed, it will prove harmful to several of our industries and many others. We urge the Subcommittee not to report S. 2680 favorably.

Table 1

TARIFF AND REVENUE IMPACT OF S. 2680 ON CERTAIN WORK GLOVES, LUGGAGE, HANDBAG AND PERSONAL LEATHER GOODS (FLAT GOODS) ITEMS

TSUS Item	1983 Imports ('000 $)	Cumulative Reduction In Tariff Rate* (percentage points)	Foregone Revenues, Mid-1984-1986 ('000 $)
Work Gloves:			
705.3510			
705.3550	32,800	1.0	328
705.8300	37,619	.4	151
705.8600	5,294	6.6	349
Luggage, Handbags and Flat Goods:			
706.04	1,695	.75	13
706.06	5,756	1.0	58
706.09	46,426	.35	162
706.13	51,162	.65	333
706.16	1,513	1.35	20
706.19			
706.21	2,071	2.2	46
706.2930			
706.2960	6,338	1.0	63
706.32			
706.33	5,923	3.95	234
706.34			
706.3640			
706.3650	26,099	2.45	639
706.3680			
706.4200	1,481	1.5¢ lb+	
706.4300		1.25 %	27
706.4400	2,137	3.7	79
706.4500	3,137	3.0	94
706.4700	152	4.05	6
Total			2,602

* Assuming mid-year 1984 enactment of S. 2680.

Source: U.S. Department of Commerce IM 146 and Economic Consulting Services Inc.

MID Lakes
MANUFACTURING COMPANY
3304 RIFLE RANGE ROAD
KNOXVILLE, TENN. 37918

July 19, 1984

Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Counsel DeArment,

I am writing to strongly oppose Bill S.2680 calling for a reduction in tariffs on man made fiber fish netting. Imports have taken 1/3rd of the U.S. market and with tariff rates decreasing yearly we are just hanging on. To slash the tariffs in half with one swift action would also bring a swift end to our industry.

Speaking for Mid-Lakes and other fish netting manufacturers of The United States I ask that you oppose S.2680. Thank you.

Cordially,

David J. Starr

David J. Starr
President

DJS/ss

TAFT, STETTINIUS & HOLLISTER
SUITE 600
21 DUPONT CIRCLE, N.W.
WASHINGTON, D.C. 20036
202-223-6651
CABLE TAFTHOL

ROBERT TAFT, JR.
RANDOLPH J. STAYIN
VIRGINIA E. HOPKINS
JOAN M. KOVALIC
ARTHUR B. PEARLSTEIN

CINCINNATI OFFICE
FIRST NATIONAL BANK CENTER
FOUNTAIN SQUARE
CINCINNATI, OHIO 45202
513-381-2838

COLUMBUS OFFICE
SUITE 1000 - 33 NORTH HIGH STREET
COLUMBUS, OHIO 43215
614-221-2838

July 20, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office
  Building
Washington, D.C. 20510

BY MESSENGER

RE: S.2680

Dear Mr. DeArment:

Enclosed please find the original and five copies of the statement of Wald Manufacturing Company, Inc. in opposition to S. 2680. Please feel free to contact me if more information is needed or desired.

Sincerely yours,

Virginia E. Hopkins

Virginia E. Hopkins

VEH:pz
Enclosures

cc: Senator Walter D. Huddleston
    Senator Wendell H. Ford
    Congressman Carl D. Perkins

Subcommittee on International Trade
Committee on Finance
United States Senate

STATEMENT OF WALD MANUFACTURING COMPANY, INC. IN OPPOSITION TO S. 2680

July 20, 1984

Carlton P. Pawsat
President
Wald Manufacturing Co., Inc.
Maysville, Kentucky 41056

OF COUNSEL:

Virginia E. Hopkins
Taft, Stettinius &
Hollister
Suite 600
21 Dupont Circle, N.W.
Washington, D.C. 20036
(202) 223-6851

INTRODUCTION

Wald Manufacturing Company, Inc., manufactures bicycle parts in Maysville, Kentucky. We have been in business since 1905 and in Maysville since 1924. We are a small business in a rural community. Our operations, equipment, and plant facilities are modern. Because our only business is bicycle parts, our company's survival and our employees' jobs are solely dependent on the survival of the domestic bicycle parts industry. Our company's survival is directly threatened by S. 2680

INCREASED IMPORTATION OF BICYCLE PARTS

In the past decade, the bicycle parts industry has been seriously eroded. A combination of increased importation of bicycle parts and the strong dollar overseas have depressed our industry and our company. Imports have increased particularly rapidly in the past two years. In 1983, imports of bicycle parts competitive with those which Wald manufactures increased 52 percent over 1982 levels. During the first five months of 1984, imports of such parts increased an additional 33 percent over the same period of 1983. Taiwan, in particular, has been flooding the U.S. market with low priced bicycle parts. Imports of Taiwanese parts of the type we manufacture increased 95 percent in 1983 alone; for the first five months of 1984 such Taiwanese imports are up an additional 58 percent. Wald's employment has, as a result, dropped from 411 employees working overtime in 1973-74 to 216 today, most of whom are working a 4-day work week.

S. 2680 BREAKS FAITH WITH AMERICAN MANUFACTURERS

Like other businesses, our company has carefully considered the impact of the published staged reductions in tariff levels in our planning and decisions. Thus, despite severe import penetration, we have continued to make significant capital investments in order to improve our competitiveness and quality. S. 2680, if passed, will authorize the President of the United States to remove one year of those staged reductions. The practical result would be that our company may, without any warning, be confronted with a percentage tariff reduction more than twice as large as the published reductions on which all our plans were based.

THE UNITED STATES NEEDS ITS MANUFACTURERS

Our company has observed with alarm the increasing tide of imports over the past ten years in a variety of basic manufacturing industries. Many bicycle and bicycle parts manufacturers have not been able to survive this onslaught. They have gone out of business or become bicycle importers and/or assemblers of imported parts. In fact, today over 42 percent (by dollar value) of the parts which comprise a bicycle must be purchased abroad for there no longer is any U.S. manufacturer of those parts. Then International Trade Commission Chairman Alfred Eckes last August characterized the import problem as "chronic." As stated by Mr. Eckes, "[our country is] exporting more and more primary products and importing more and more manufactured goods. This, incidentally, is the traditional definition of a less-developed country."

Why, at a time of historically high trade deficits, should our elected representatives authorize drastic further reductions in already declining tariffs? Such reductions are guaranteed to stimulate yet more imports and further increase the trade deficit, all at the cost of U.S. jobs. Many basic manufacturing companies such as ours cannot withstand the blows of further market penetration by imports. Once we are out of business, we are gone forever.

Is Congress concerned about the loss of companies such as ours? Does anyone in a position of power have the foresight to see that our nation's economic and military strength is directly tied to the survival of basic manufacturing industries? In World War II, our company was converted to defense production only. We received many Army-Navy E awards for our excellence. We were proud to serve our country then and we will do so in the future if we are needed. But we cannot serve unless we are allowed to survive.

CONCLUSION

On behalf of our company and our employees, we urge this Subcommittee to pass over S. 2680 and urge that it not be reported out for consideration by the Senate.

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

MURRAY H. FINLEY
President

JACOB SHEINKMAN
Secretary-Treasurer

SCOTT HOYMAN
Executive Vice President

AFL-CIO, CLC
815 SIXTEENTH ST., N.W. • WASHINGTON, D.C. 20006
(202) 628-0214

ELIZABETH M. SMITH, Director
Legislative and Political Education Department

July 27, 1984

Honorable Robert Dole, Chairman
Senate Finance Committee
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

Enclosed is the statement of the Amalgamated Clothing and Textile Workers Union explaining our position on three of the miscellaneous tariff bills referenced on Press Release #84-154, issued by the Subcommittee on International Trade. I understand that the Finance Committee will consider these bills on July 31.

The ACTWU strongly opposes S. 2680, which would accelerate the MTN tariff cuts. Our organization supported the MTN. We did so based on the commitment that the tariff cuts would be phased in over a specified period of years. By requesting authority to accelerate the scheduled cuts, the U.S. Government is breaking faith with those who were a part of the process which brought about a successful conclusion to these negotiations. At a time when workers and the industry are reeling from an incredible surge in textile and apparel imports, it is inconceivable that the Government would take action to stimulate more imports.

We support enactment of S. 2839, which closes a tariff loophole which allows garments classified as apparel "sets" to enter the U.S. at a lower rate than on most individual garments.

In addition, the ACTWU strongly supports passage of S. 2712, which would temporarily increase the duties on necktie imports. Necktie imports increased by 250 percent from 1980 to 1983. The first five months of 1984 saw imports of ties increase 133 percent over the same period in 1983. Many workers in this industry recently took cuts in wages and benefits to help the industry modernize and adjust to the imports situation. This bill would give the industry some time to make itself more competitive.

Our position is outlined more fully in the attached statement. We sincerely appreciate your consideration of our views on these bills.

Sincerely,

Elizabeth M. Smith
Legislative and Political Director

EMS:pb
Enclosure

Statement of

Gerald Andersen, Executive Director

NECKWEAR ASSOCIATION OF AMERICA

In Support of

S. 2712

A Bill to Return the Ad Valorem and
Specific Duties on Necktie Imports to the Levels
In Effect as of January 1, 1981, for a Period
Of 5 Years.

Before the

SUBCOMMITTEE ON INTERNATIONAL TRADE

Of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

July 20, 1984

STATEMENT OF THE NECKWEAR ASSOCIATION OF AMERICA IN SUPPORT OF S. 2712

July 20, 1984

The Neckwear Association of America is the trade association for domestic manufacturers of neckwear. The Neckwear Association is located in New York City where a great deal of our industry is based. However, substantial neckwear production also occurs in many areas across the country including such states as California, New Jersey, Missouri, North Carolina, Pennsylvania, Texas, Michigan, Massachusetts and Louisiana.

The member firms of the Neckwear Association strongly support legislation introduced by Senator Bennett Johnston (D-LA), S. 2712, which would return the ad valorem and specific duties on necktie imports to the levels in effect as of January 1, 1981, for a temporary period of five years.

Our industry strongly supports enactment of this temporary legislation because of the astounding increase in imports that this industry has seen in recent years. Between 1980 and 1983 alone, imports of neckties increased from 268,331 dozen to 948,025 dozen, an increase of more than 250 percent in just three years. In dollar terms, imports more than doubled from $12.4 million in 1980 to $27.2 million in 1983. Even these massive increases in imports, however, pale beside this year's import growth. In the first five months of 1984, imports of neckties were 133 percent greater than in the first five months of 1983. The

677,000 dozen neckties imported in January-May 1984 exceeded by a substantial margin imports in calendar 1980, 1981 and 1982, and were already 71 percent of the import level in all of 1983. (See Table 1.)

This tremendous growth in imports has caused a substantial loss in the market share held by U.S. producers. The ratio of imports to domestic shipments rose steadily and rapidly from an estimated 4.3 percent in 1980 to 14.6 percent in 1983. (See Table 2.) As a percent of the U.S. market, imports grew from an estimated 4.2 percent in 1980 to 13.0 percent in 1983. (See Table 3.) With the massive growth in imports thus far in 1984, we project the market penetration figures to jump to about 23 percent in 1984. Imports will capture most of the projected growth in the U.S. market this year.

A large portion of this import growth has come about at a time when staged tariff reductions on neckties are being implemented as a result of the Multilateral Trade Negotiations (Tokyo Round) tariff cuts. When implemented, these cuts will range from a 20 percent reduction in some necktie categories to more than a 50 percent reduction in the former duty rate in other necktie categories.

Every necktie category, from silk to man-made fiber, has experienced a rise in imports and the industry expects this situation to worsen as necktie duties continue to phase down as the staged duty reductions are implemented through 1987.

Our industry is not a capital intensive one. Our manufacturing process, like other apparel products, is labor intensive. Production start-up costs are minimal. Foreign producers can move swiftly into our market and rapidly increase exports of neckties to the United States in a very short period of time. The duty cuts on neckties scheduled to occur through 1987 will provide an added inducement to such imports and, in general, will result in increased imports from all sources, leading to the further erosion of our domestic market.

Because imports have surged so rapidly, it has been suggested to our Association that we consider filing a section 201 petition which would address the issue of whether imports are being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof to our industry. If such a case were brought and the International Trade Commission (ITC) found that the industry was injured or threatened with injury, and if the President agreed to provide import relief, then presumably the industry would be granted a limited period of import relief to adjust to new conditions in the market. We have considered filing a Section 201 petition, but we are very reluctant to pursue this route for two important reasons. First, during the eight months between the time we would file such a case and a final decision were to be reached, imports even at current rates, would be swamping our market. It simply takes too long to get needed action in the face of rapidly increasing imports. Second, the ITC's 5-0 negative injury finding in the nonrubber footwear case has us concerned about what results would be reached in the case of neckwear. If the nonrubber footwear industry, with its import sensitivity and the tremendous growth in shoe imports was not found to be seriously injured, we are not confident that the neckwear industry would fare any differently.

The neckwear industry is not a large industry. It is an industry composed mostly of many small establishments which generally employ fewer than 20 workers. The industry is a source of employment for people who have difficulty finding alternative employment because they lack education, skills or mobility. The industry provides work for women and minorities, and it provides entry level jobs for those who are new to the workforce. If imports continue to rise at current rates, jobs in our industry for such people will no longer exist.

Because of the unprecedented increase in necktie imports which we could not have anticipated during the MTN negotiations when necktie duties were severely cut, we are asking Congress to return these duties to what they were in 1981 for a period of five years while the industry has time to adjust. The import situation, if not temporarily cooled, will overwhelm domestic necktie producers. Stabilizing the duties on necktie imports for a brief period as provided in S. 2712 would help calm the waters in our industry.

The Neckwear Association urges the Subcommittee on International Trade to approve Senator Johnston's bill, S. 2712 as quickly as possible. We believe it is a reasonable approach to deal with a growing problem of alarming proportions to our industry.

Table 1

U.S. IMPORTS OF NECKTIES, BY TYPE, ANNUAL, 1980-1983; JAN.-MAY 1983 AND 1984

(quantity in dozens, value in thousands of dollars)

	1980		1981		1982		1983		Jan.-May			
									1983		1984	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Men's and Boys' Neckties of Textile Materials:												
Ornamented (373.0500)	1,541	87	2,061	151	3,922	134	5,460	195	1,952	90	3,946	123
Not Ornamented:												
Of Vegetable Fibers (373.1000)	5,165	224	6,831	247	26,235	551	73,395	1,286	33,859	695	142,041	2,415
Of Wool (373.1500)	51,757	1,379	64,198	1,512	98,143	2,131	308,117	5,567	38,006	821	133,071	2,197
Of Silk:	128,206	9,331	181,780	11,792	253,990	13,782	303,753	16,744	119,490	6,873	235,915	11,512
Knit (373.2000)	7,094	490	6,937	492	15,827	571	14,799	806	5,072	291	7,734	383
Not Knit (373.2200)	121,112	8,841	174,843	11,300	238,163	13,211	288,954	15,938	114,418	6,582	228,181	11,129
Of Man-Made Fibers:	80,908	1,325	117,347	1,891	178,156	2,760	251,287	3,284	94,428	1,307	127,388	1,673
Knit (373.2500)	1,432	35	3,058	71	3,307	56	16,424	187	4,685	54	7,511	81
Not Knit (373.2700)	79,476	1,290	114,289	1,820	174,849	2,704	234,863	3,098	89,743	1,253	119,877	1,592
Other (373.3000)	754	31	469	37	1,743	34	6,013	151	2,578	70	34,803	159
Total	268,331	12,377	372,686	15,630	562,189	19,392	948,025	27,228	290,313	9,856	677,164	18,079

Source: U.S. Department of Commerce, IM146, IM145X.

Table 2

THE RATIO OF U.S. IMPORTS TO U.S. SHIPMENTS OF NECKTIES (IN TERMS OF DOZENS), 1980-1984

(percent)

1980	4.3
1981	6.3
1982	9.9
1983	14.6
1984 (P)	29.6

P -- Projected.

Source: See Table 3.

Table 3

THE U.S. MARKET FOR NECKTIES, 1980-1984

(in thousand dozen)

	Domestic Shipments[1]	Imports	Exports	Apparent Domestic Consumption	Imports as a Percent of Apparent Domestic Consumption
1980	6,200	268	90	6,378	4.2
1981	5,900	373	121	6,152	6.1
1982	5,700	562	171	6,091	9.2
1983	6,500	948	155	7,293	13.0
1984 (P)	7,475	2,211	203	9,483	23.3

P -- Projected. Import and export projections are based on January-May data. Domestic shipments are projected to increase by 15 percent in 1984 over 1983 levels.

1/ Estimated by the Neckwear Association of America, Inc., based on a survey of its members.

Source: Neckwear Association of America, Inc. and U.S. Department of Commerce data.

RETAIL INDUSTRY TRADE ACTION COALITION

July 20, 1984

Senator John C. Danforth
Chairman, Subcommittee on
International Trade
United States Senate
SD-2[illegible] Dirksen Senate Office Building
Washington, D.C.

Dear Senator Danforth:

I write to you on behalf of the Retail Industry Trade Action Coalition (RITAC) in opposition to the passage of two bills now before your committee. S. 2712 is a bill to return the ad valorem and specific duties on necktie imports to the levels in effect as of January 1, 1981, for a period of five years. S. 2839 would amend the Tariff Schedules of the United States regarding the classification of certain articles of wearing apparel.

RITAC consists of the chief executive officers of 20 retail firms and eight national retail associations which together represent two million establishments, most of them small businesses, over 16 million employees or 15% of the American workforce and sales of more than $1 trillion, equivalent to nearly 1/3 of the gross national product.

Our members are concerned about the impact that the proposed legislation would have on consumer prices and the disruptive effect which such protectionist measures have on U.S. trade policy.

We would like to present our views to your committee either by testimony and written submission or both once we have had the opportunity to analyze fully the impact which the legislation would have on the marketplace and ask that your committee give us the opportunity to do so once our analysis is complete.

We would also like to be informed of the rationale for the bills which would justify the adoption of protectionist legislation in the areas they affect.

Please call upon us if you consider that there is any particular information which we might be able to supply to you and your members concerning S. 2712 and S. 2839.

Sincerely,

J. Robert Brouse

J. Robert Brouse
Managing Director

International Square, Suite 400 ☐ 1825 Eye Street, N.W. ☐ Washington, D.C. 20006
(202) 429-2015
Telex 440557 BRCORP

ROGERS

Rogers Corporation One Technology Drive Rogers, Connecticut 06263
203 774-9605

July 16, 1984

Senator John C. Danforth
Chairman of the Sub-Committee
on International Trade
Senator Dirkson Building, Room 219
Washington, DC 20515

S.2739

Dear Senator Danforth:

This letter is written to explain the negative impact on both our business and the national economy that would result if the duty on uncompounded allyl resins were to be reinstated.

Rogers Corporation has been making diallyl phthalate (DAP) engineering plastics for a variety of electronics and electrical applications for over twenty years. A major ingredient in the molding material formula is DAP prepolymer which we had been purchasing from both FMC Corporation and Osaka Soda Company (Japan). In early 1980 FMC Corporation elected to discontinue production of the DAP prepolymer leaving Osaka Soda Company the sole producer in the world. Our attempts to encourage likely domestic sources to manufacture the prepolymer have been unsuccessful to date.

Our annual purchases of the imported diallyl phthalate resins continue to be in the one million pound range and should continue at that level for many years to come.

If Rogers Corporation were obligated to pay the duty as specified on Page 308, TSUS (Tariff Schedule of the U.S.), July 1, 1980 annotated, schedule 4, "Chemicals and related products," Part 1, "Benzendid Chemcials and Products," Item 408.96, "Allyl Resin (Diallyl Phthalate)," the amount would be over $110,000.00 each year.

The duty, if reinstated, would have to be passed on to our customers, many of whom supply electronics parts/assemblies to DOD prime contractors, thus adding to the cost of military gear and ultimately, to the tax payer. The existence of the duty would tend to be inflationary.

It is for the above reasons that I ask that the temporary suspension of duty on uncompounded allyl resins be continued. Please write or call if there are questions I can answer that will aide in preparation for the forthcoming legislation hearings.

Sincerely,

Carl R Welshman

Carl R. Welshman, CPM
Corporate Manager
Materials Purchasing

POSITION STATEMENT
ON BEHALF OF
MOBAY CHEMICAL CORPORATION
CONCERNING SENATE BILL 2787

July 18, 1984

Mobay Chemical Corporation is a diversified manufacturer of chemical intermediates and polymeric resins. The company was formed in 1954 to introduce to American markets the then-new branch of chemical science known as polyurethanes and since that time has branched into broad new areas of agricultural chemicals, dyestuffs, pigments, plastics and coatings, industrial chemicals and textile fibers.

With annual net sales approaching $1.5 billion, Mobay currently ranks among the top 50 chemical producers in the United States.

The Mobay organization employs approximately 6000 people and has total fixed capital assets of nearly $690 million with major investments in seven states. Our basic structure is comprised of seven operating divisions: Agricultural Chemicals Division, Polyurethane Division, Plastics and Coatings Division, Inorganic Chemicals Division, Organic and Rubber Chemicals Division, Dyes and Pigments Division and Fibers Division.

Through a multitude of customer companies, the thousands of Mobay products are converted into end-use applications serving many different industries. Some of these include automotive, appliance, construction, health care, textile, farming, home furnishings, electrical/electronics and recreational/ sporting goods industries.

Senate Bill 2787, introduced by Senator John Heinz on June 21, 1984, seeks legislation that would suspend for three years the duty on o-benzyl-p-chlorophenol. Mobay presently imports this chemical compound from its parent company in Germany and markets the product in the United States through its Organic and Rubber Chemicals Division under the tradename Preventol BP.

o-Benzyl-p-chlorophenol is a biocide. It is commonly used as the active ingredient in cleaning solutions and disinfectants and is the only known biocide that effectively kills mycobacterium tuberculosis, the bacteria causing TB. It is widely used in the health care industry, particularly by hospitals, emergency treatment clinics and nursing homes, where control of this particular bacteria is so important to the maintenance of a hygienically clean environment.

At the present time, there are no known domestic producers of o-benzyl-p-chlorophenol and Mobay is not aware of any U.S. companies considering to manufacture. Up until 1975, there were four companies producing the chemical throughout the world, viz., Monsanto Company and Reichold Chemical

Company in the United States, Bayer AG in West Germany and British Tar Ltd. in the United Kingdom. Reichold ceased manufacture in 1975 and Monsanto discontinued production in 1983. To the best of Mobay's knowledge, there were no quantities of this chemical exported to the United States before 1983. When domestic availability ceased last year, Mobay purchased the Reichold registration and began importing from Bayer. Mobay has since learned that a second company, Nipa Laboratories, registered the product and are importing British Tar material.

o-Benzyl-p-chlorophenol is classified by the U.S. Customs Service under Tariff Schedule of the United States number 408.1600 and as such, commands an ad valorem tax of 12.2%. With an estimated yearly import volume of 2 million pounds, this adds nearly $500,000 to the cost of the product. This additional cost, in due course, is passed on to the customer and ultimately to the one who benefits most by its use, the ill, physically afflicted or elderly consumer in the form of higher health care costs.

Mobay urges passage of S-2787 because:

- with no producer of o-benzyl-p-chlorophenol in the United States, justification for import duty no longer exists,

- with the government and the private sector striving to contain and hold down health care costs, any potential source of saving should not be overlooked or passed-over and

- o-Benzyl-p-chlorophenol offers the only effective means of controlling the bacteria causing tuberculosis making it a vital need for the maintaining of a hygienically clean health care environment.

Dakota Lay'd
Eggs

July 13, 1984

Honorable John Danforth
SR 497
Washington, D.C. 20501

Dear Senator Danforth:

We at Dakota Lay'd Eggs appreciate your interest in the legislation introduced by Senator Dave Durenberger of Minnesota (Bill #S-2809).

This is good legislation for a number of reasons:

1. It allows 500,000 cases of eggs (1.5M dozen) to be exported to Canada yearly, under a 7 year contract extendable to 10 years.

2. It alleviates the surplus egg situation country-wide by almost a full week of our national inventory of eggs.

3. It helps the balance of payments of our country by $70,000,000.00 over a 10 year period.

4. By shorting the market place in the United States, it alone will increase the egg prices to the egg producer (4000 + of whom went out of business due to oversupply since 1979).

5. It does provide for a reduced tariff on a portion of the egg yolks returned to this country, primarily as frozen yolks (less than 1% of the current sales).

6. These eggs are to be shipped to Canada under a special category as breaking stock only, and will in no way upset established trade into Canada as table grade eggs. Supplemental permits have already been issued and will have no affect on existing permits for table egg imports from the U.S.

7. The opposition to this bill comes chiefly from further processors, and not from Mr. Average Producer.

8. We have producer names and telephone numbers totaling nearly 2 million layers, who, when informed about the bill, are strongly in favor.

P O BOX 860 • DEVILS LAKE, ND 58301 • PHONE (701) 662-2151

Honorable John Danforth
7/13/84 - page 2

9. All of the egg whites, the enzyme lysosyme, and most of the egg yolks are already sold on a 10 year contract between the Canadian firm and a firm in Japan.

10. The reduced tariff has been requested because the eggs are produced in the U.S., and in order to make the small amount of product returned more competitive in the U.S. market. The Canadians will then not be penalized for buying U.S. eggs and at the same time will be paying a tariff on the value added portion of the product.

11. Should the bill fail to pass, the contract will be fulfilled with subsidized Israeli or EEC eggs. How much better to have the eggs produced in our country.

12. Customs officals have assured us this product can be readily traced because of all the accompanying paper work.

Senator Danforth, we hope you will see the wisdom and economic benefits of this bill for all the people of this fine country.

Thank you, again, for your interest, and I stand ready to answer any further questions you may have.

We humbly ask your support for this bill (S-2809) on behalf of the thousands of egg producers throughout this country.

Sincerely,

D.E. Palmer, Owner
DAKOTA LAY'D EGGS

DE/br

★ FARM BUREAU ★
★★ the nation's largest general farm organization ★★

WRITTEN STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE OF THE SENATE COMMITTEE ON FINANCE REGARDING A BILL TO DECREASE THE TARIFF ON CERTAIN CANADIAN EGG YOLKS (S. 2809)

July 18, 1984

American Farm Bureau Federation
Washington Office — 600 Maryland Ave., SW, Washington, DC 20024. Phone: (202) 484-2222

WRITTEN STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE OF THE SENATE COMMITTEE ON FINANCE REGARDING A BILL TO DECREASE THE TARIFF ON CERTAIN CANADIAN EGG YOLKS (S. 2809)

July 18, 1984

The American Farm Bureau Federation, the nation's largest general farm organization with over three million member families, is concerned about S.2809 and H.R. 4647, which would lower the tariff on certain Canadian egg yolks entering the United States.

Although both bills seem intent on promoting exports of U.S. eggs, this is not entirely true. The yolks from these eggs could be dried and sent back into the United States at a reduced rate, thus giving certain individuals/organizations an advantage.

Current indications are the Food and Drug Administration has been approached to approve lysozyme (the product extracted from the whites of the eggs) in the United States. If this approval is granted, Canada could hold an advantage over U.S. producers because of the reduction in the tariff.

Finally, the tariff reduction would give a trade benefit to Canada that should be conferred as a result of trade negotiations resulting in equivalent advantages to the United States.

HAGEDORN-CANDO, INC.
EXPEDITOR

THOMAS M HAGEDORN
1201 S JEFF DAVIS HWY.
SUITE 301-S
ARLINGTON, VA. 22202
703-486-1166

P O BOX 4
CANDO, N. D. 58324
(701) 968-4456

July 19, 1984

The Honorable John Danforth
497 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Danforth:

I'm writing to offer my strong support in behalf of S. 2809 as introduced by Senator Durenberger. This legislation would lower the duty on dried egg yolk from 27¢ to 5.5¢ per pound, and on liquid yolk from 5.5¢ to 2.2¢ per pound if the product has been processed in a foreign country from an equivalent amount of eggs produced in the United States and exported in the shell to that country.

Currently, the U.S. applies duties to all egg yolks imported regardless of where they were produced. This bill would eliminate the duty on the value of the egg yolks which were bought from U.S. farmers and place a duty only on the value added portion which would reflect the manufacturing costs and profit margins.

We believe that it is unfair to deny a potential market for our egg producers because our government imposes a duty on what was produced in the U.S. when that product is exported back into the U.S. Certainly, it is proper to tax the value added share and that is what the bill does.

Generally, tariffs are placed on imports to protect the producers from unfair competition and we believe it makes no sense to tax our own production. At the same time, the legislation protects the egg processors from unfair competition by taxing the value added to the product.

Passing this legislation will enable U.S. egg producers to export 500,000 - 1,000,000 cases of eggs to Canada for the next seven years in order to meet processing requirements. These exports are in addition to the current quota on table eggs. At a minimum, 60 percent of all eggs exported will be processed and exported to Japan under a contract held by Export Packers Co., LTD of Bramalea, Ontario, Canada.

The Honorable John Danforth
Page Two
July 19, 1984

This duty reduction will make our production competitive with that which can be acquired from countries which subsidize their agriculture production, such as those of the UK, Israel, Holland, and others. It makes far more sense to make this change than to have production from those subsidized countries being dumped onto our markets.

While there are processors who are orchestrating opposition to this legislation because they are opposed to competition in our free enterprise system, this legislation is beneficial to U.S. producers and the American farm economy for many reasons, i.e.:

-- It reduces the balance of trade deficit with Canada and Japan.

-- The production of the volume of eggs will consume $40-80 million of feedgrains and soybean meal.

-- It will provide employment and job assurance for 50-100 people for seven years.

-- It assures on a long-term basis that our exports will be stable and reliable.

This sensible change in duties will assure us of long-term markets and spare us the possibility of foreign imports being dumped on an already surplus market of egg production.

I hope this adequately explains the proposed legislation and that you will be able to lend your support. If you have any questions, please let me know.

With best wishes.

Sincerely,

Thomas M Hagedorn
THOMAS M. HAGEDORN

TMH/kh

MONARK EGG CORPORATION

July 20, 1984

Senator Robert Dole
Senate Hart Bldg., Rm. 141
Washington, DC 20510

Dear Senator Dole:

We strongly oppose lumping together with other bills, the companion bill introduced by Senator Durenberger on June 29, S2809, as the Senate part of the Frenzel bill HR4647. This bill provides, among other things, for lowering the duty on dried egg yolk manufactured in Canada and exported to the United States. The bill, aimed at helping one egg producer who has struck an agreement with a Canadian firm, is not in the best interest of our industry. Shell eggs will be shipped to Canada to be broken by the Canadian firm, they in turn will extract lysozyme from the liquid white which is not yet allowed in this country, dry these whites and sell at reduced price to Japan and other countries. Liquid yolk will be dried and returned to this country at the reduced duty. We are oversupplied now with yolk and there is also excess drying capacity in the United States. In addition, American firms will cease to be competitive on the sale of dried egg white to Japan due to such an arrangement.

For your information, we are enclosing a press release that may explain our concern in more detail. We hope you will be able to study this bill in depth and not allow it to be tacked on to another bill. Thank you for your consideration.

Yours very truly,

MONARK EGG CORPORATION

M. E. Krigel

M. E. Krigel
President Corporate Development

MEK/jac

Enclosure

601 EAST THIRD STREET • KANSAS CITY, MISSOURI 64106 • (816) 421-1970 • TELEX 434651

4 — FEEDSTUFFS, July 9, 1984

Bill to lower tariff on yolks from U.S. shell eggs returning from Canada attacked by UEP

By JON F. SCHEID
Feedstuffs Washington Editor

WASHINGTON — Despite objections by the United Egg Producers, a bill that would lower the tariffs on some egg products coming back across the border from Canada after the U.S. shell eggs had been broken to produce a special product continues to make progress in Congress as a version has now been introduced in the Senate.

UEP said the bill would damage egg markets across the country, and the only reason for the measure is "friendships and favors" aimed at helping just one egg producer. Proponents said, though, the bill is merely a private sector attempt to expand exports. It would result in at least half a million cases of eggs leaving the U.S. yearly.

A U.S. firm, Cando Egg Producers, Devil's Lake, N.D., has struck an agreement with a Canadian firm, Exports Packers, Ltd., based in Winnipeg, to supply Exports Packers with at least 500,000 cases of eggs each year for the next seven years. There is an option to renew the contract for another three years after that, and there is a possibility that shipments would increase to a million cases a year.

Exporters would use the eggs to extract lysozyme, a antibiotic drug that has possibilities for treating such things as the common cold, as well as many other human diseases. (The drug has not been approved by the Food & Drug Administration, so no U.S. firms can manufacture it, even for export.)

The process for extracting lysozyme is patented by an Italian firm, sources said. While the patent is due to expire next year, for the time being Export Packers will have a North American monopoly on the process.

To get the best financial package possible, Exporter Packers went to the U.S. firm, Cando, for the raw material — the eggs — because the U.S. product is consistently less expensive that the eggs sold by the Canadian Egg Marketing Agency (CEMA).

According to Dennis Palmer, the owner of Cando, Export Packers has already obtained permission from the Canadian government to essentially go around the CEMA and buy U.S. eggs. That, in itself, is quite a coup, he added.

But, to make the rest of the package fit together, Export Packers must arrange its markets so that it can dispose of the whites and yolks at a fair price. That's where the legislation comes in.

In January, Rep. Bill Frenzel (R., Minn.) introduced a short bill that would drop the tariff on the egg yolks being returned to the U.S. from 27 cents/lb. to 5.5 cents. The bill specifies that the yolk must be from U.S. shell eggs which were used to extract lysozyme.

UEP began battling the bill when it was introduced, but has not as yet had any success in getting it defeated. In fact, the companion bill was just introduced in the Senate on June 29 by Sen. David Durenberger (R., Minn.).

According to Tom Hagedorn, a former U.S. congressman from Minnesota and the consultant working with Cando, the 5.5 cents left for a tariff would represent the value added to the product by the Canadian processor. The yolk itself should not face an import tax because it is a U.S. product.

Cathy McCharen, UEP's representative here, said her association does not object to the deal between Cando and Export Packers, but strongly opposes this tariff break.

On the surface, she said, the deal between Cando and Export Packers would seem to help increase egg exports. But, in truth, the arrangement would come back and hurt producers by ultimately reducing demand for eggs, McCharen said.

One major UEP concern is that Cando has never shown proof that the Canadian government will allow the imports. Palmer said his Canadian counterpart has the necessary permission, if the tariff reduction is approved in the U.S.

(Canada closely controls imports across its borders, according to Campbell Stuart, with Canada's special trade branch. But, he added, there are cases when Canada will issue supplementary import permits if the importing firm needs the help to be price competitive, and if it would help avoid an egg shortage in Canada.)

If the deal falls through, either now or next year, than unneeded excess capacity would end up back on the U.S. market or in export markets, McCharen said.

Further, she said, the deal will displace existing U.S. export sales. Currently, Japan buys 80% of the U.S. egg white exports. If Export Processors gets the tariff reduction on egg yolks to the U.S., then it will be able easily undercut U.S. exporters' prices to Japan. The loss of that market will end up cutting demand for eggs, thus harming the U.S. producer. Export Packers is already successfully competing for the U.S. market without this added boost, McCharen added.

Joining UEP in opposition is the U.S. Department of Agriculture. Undersecretary of Agriculture Daniel Amstutz sent a letter to the House Ways & Means Committee, which currently has the bill, saying that the tariff reduction would give a competitive advantage to Canada.

For one thing, he said, the Food & Drug Administration has been approached to approve lysozyme production in the U.S., and if FDA does approve it, Canada would automatically hold a competitive advantage over U.S. producers because of the reduction in the tariff.

Amstutz also said, "The tariff reduction would give a trade benefit to Canada that would be more appropriately conferred as a result of trade negotiations resulting in equivalent advantages for the U.S." Also, it would grant Canada preferential treatment, a direct violation of international agreements.

Hagedorn, Cando's consultant, said the opposition is "ridiculous." The Reagan Administration is strongly in favor of exports, but now is opposing a plan that would remove 10,000 cases a week, he said.

Hagedorn said the Administration may be holding this up as a bargaining chip on other trade disputes with Canada. But, he said, the U.S. should go ahead and let this deal go through: "A bird in the hand is worth two in the bush."

If the U.S. does not supply the eggs, other countries will, he said. The whites will still appear on the export market, and the U.S will completely lose out, he added.

Hagedorn acknowledged that U.S. processors may fear added competition, but that's not the case. If the deal goes through, rather than flood the market with whites and yolks, it will remove the whites of 500,000 cases of eggs from the market (the whites cannot come back in by law, he said), and allow only some yolks back in, most of which will be exported to other countries, he said.

But if the bill is not passed soon, either later this month or early in August, Export Packers will buy its eggs from some other supplying country, most likely Israel, and U.S. producers will completely lose out. #

national grange

Robert M. Frederick, Legislative Director

July 11, 1984

The Honorable John Danforth
Chairman, International Trade
Subcommittee
Committee on Finance
219- Dirksen Bldg.
Washington, D.C. 20510

Dear Mr. Chairman:

The National Grange's attention has been called to a tariff bill now pending before your Trade Subcommittee that we feel is not in the best interest of the U.S. poultry industry or our trade relations with Canada.

The bill, is S. 2809, and it would apply a reduced rate of duty to certain dried egg yolk processed from eggs produced in the United States and exported to Canada for use in the manufacture of Iysozyme. In effect, the bill would reduce the tariff on such dried egg yolks from 27¢ per lb. to 5 5¢ per lb. Specifically, it would amend subpart E of part 4 of Schedules of the United States (19 U.S.C 1202) by striking out items 119.65 and 119.70 and insert the new tariff rates as listed above.

The Canadian government operates a price support program for Canadian poultry producers through an Egg Marketing Board which is the marketing agency for all table eggs produced in Canada. Because of their domestic marketing program, the Canadian government maintains strict controls over the quantity of table eggs imported into Canada from the United States. U.S. eggs enter Canada under a quota system which is set by the marketing agency. In addition to the quota, an importing license granted by the Canadian government, is required before a U.S. firm can export table eggs into Canada. The Government of Canada (GOC) recently changed the quota scheduling for imports of table eggs. Although the U.S. quota allocation was not reduced, additonal U.S. exports under supplemental licenses are expected to decline.

The eggs would have to be shipped under the present U.S. quota allocation and would require a new license being granted by the GOC. If a new license was granted the U.S. quota allocation would have to be increased by the GOC, otherwise the new license holder would be displacing the table eggs being exported to Canada by another U.S. license holder. Therefore, reducing the duty on egg yolks processed from eggs produced in the United States when they are exported back into the United States will not necessarily ensure increased export of U.S. table eggs to Canada.

Instead of increasing exports of table eggs to Canada, such an arrangement would disrupt present commercial trade patterns and present increased competition to the U.S. egg cracking industry--- competition of questionable fairness because of the lower tariff proposed in S. 2809.

The trade-off of the possible increase in egg exports to Canada for increased dried egg yolk imports from Canada at a greatly reduced tariff rate is highly questionable. Especially in light of the fact that the U.S. government does not have the assurance of the GOC that such shipments will be above the present allocation quota.

We also question the exporting of table eggs to Canada for processing when U.S. taxpayers are helping to finance a huge egg processing plant at Devils Lake, North Dakota. Dakota Crackin, Inc. will have the capacity to break two million eggs per day and process and package 20 million pounds of dehydrated egg products each year. The financing of the plant is complex--- involving both private and public funds. Approximately $7 million dollars will be required. Of that amount, $2 million will be supplied by a grant to the city of Devils Lake from the Department of Housing and Urban Development. The package is expected to include a $5.28 million loan guarantee from the Farmers Home Administration. The lowering of the tariff will place the dried egg yolks from Canada in competition with a plant subsidized by the American taxpayer as well as other privately owned and operated egg processing plants.

It has been brought to our attention by other private egg processing plants in the upper midwest that the owners of Dakota Crackin, Inc. also own Cando Egg, a 160,000 egg-laying facility west of Cando, North Dakota. Such an interlocking ownership could lead to the following scenario: Table eggs are produced in the U.S. by Cando Egg under a contract with the Canadian egg processor. The eggs are shipped to Canada for breaking and extraction of the egg whites to be used in the production of lysozyme, the dried egg yolks are exported back to Dakota Crackin, Inc. uder the reduced tariff rate of 5.5¢ per lb. for further processing and packaging. This will permit Dakota Crackin, Inc. to undersell dried egg yolks processed by other privately owned egg processing plants located in the upper midwest. Dakota Crackin will be able to do this because of the reduced tariff, rate which in effect, is a subsidy to Dakota Crackin, Inc. This private tariff bill which laundries eggs into Canada should be defeated.

The major concern of the Grange is that such arrangements as Cando Egg and Dakota Crackin will permit a subsidized expansion of the egg-laying operation of Cando Egg at the expenses of independent table egg producers. Cando Egg has stated that the meaningful impact of the development of Dakota Crackin will be a possible expansion of 250,000 more hens in three new barns at Cando before the end of 1984. The lower tariff would assist in making this possible. Independent producers would not benefit from such a possible agreement.

At the present time, U.S. agricultural interests, Congress and the Administration, are in the process of finding ways to export more value-added agricultural products. Exporting table eggs to Canada for processing does not assist this effort.

Would it not be more economical to process the eggs in our own plants and supply Canada with the value-added egg components they need for the manufacture of lysozyme? It would be better for our own poultry industry and our national interest in that shipping manufactured value-added products to Canada and elsewhere abroad, increases employment and contributes more towards our balance of payments than exporting raw commodities.

We urge that the Subcommittee on International Trade vote against reporting S. 2809 to the full Committee on Finance.

Sincerely,

Robert M. Frederick
Legislative Director

RMF:lkn

cc: Members of the Senate
Finance Committee

Peco Foods, Inc. Peco
3701 KAULOOSA AVENUE P.O. BOX 1760
TUSCALOOSA, ALABAMA 35403
205/345-3955

July 17, 1984

Mr. Roderick Dearnent
Room S-D-219
Dirkson Office Building
U S Senate
Washington D C

Dear Mr. Dearnent:

The purpose of this letter is to register the support from Peco Foods for S-2609. Peco Foods is a major integrated poultry producer located in Tuscaloosa, Alabama employing approximately 550 people. In our opinion the bill will greatly benefit the egg producer in the United States by facilitating the export of American shell eggs. As you are aware the export of all American poultry products, including shell eggs, has been in steep decline in recent years.

S-2609 provides for a reduction in the rate of import duty on dried egg yolk powder processed from shell eggs that have been produced in the United States and exported to Canada. The bill is fair both to the American tax payer and the American egg processor because the duty reduction applies only to egg yolk powder, less than 50% of the egg, and only on eggs of U. S. origin. The U. S. egg processor will continue to enjoy tariff protection on that part of the egg powder to which he has added value.

If S-2609 passes, one of the egg processors in Canada that will be importing U. S. eggs and thereby utilizing its tariff reduction provisions is a major customer of Peco Foods. For many years now they have imported 12 million pounds per year of poultry from our plant for Canadian domestic use on a 52 week per year basis. Their continuing business has assisted in the price stabilization of the U. S. Poultry Industry. In our opinion, the passage of S-2609 will result in similar long term benefits for the egg production sector of our industry.

Sincerely,

E. S. Harris III
Vice-President

PECO BRAND U.S.D.A. INSPECTED POULTRY

LAW OFFICES
SCOTT, HARRISON & McLEOD
2501 M STREET, N. W.
WASHINGTON, D. C. 20037
(202) 861-1234
TELECOPIER (202) 466-6538
CABLE SCOTTLAW
TELEX 350-340

MICHAEL R. McLEOD
PARTNER

July 25, 1984

Mr. Rod DeArment
Chief Counsel
Senate Committee on Finance
Washington, D.C. 20510

Dear Rod:

I appreciate very much your taking time to talk with me yesterday regarding S. 2809, legislation introduced by Senator Durenberger to reduce the duty on certain dried egg yolks. I know Senator Dole will be concerned about this legislation when he learns that the domestic producer sector of the industry strongly opposes it.

While this bill has been sold as increasing U.S. exports of eggs to Canada, this is false and misleading. At the present time there is a quota on the U.S. eggs shipped to Canada and there is nothing in writing from the Canadian Government indicating they will allow an increase in U.S. egg exports to Canada. So, the net effect is merely to allow egg yolks to come into the United States at a reduced duty. The entire egg industry feels strongly that this would depress the price producers receive for their eggs and would be detrimental to the entire producer-processor industry.

Enclosed are two articles from the publication "FEED-STUFFS" which further describes this issue, as well as a copy of the letter which Al Pope, President of UEP, recently sent to Chairman Dole.

Mr. Rod DeArment
July 25, 1984
Page -2-

We are concerned that an attempt will be made to add this legislation to H.R. 3398 or to include it in additional tariff and trade legislation as noncontroversial.

We are hopeful that these efforts will be opposed and that if this legislation is considered it will be given a hearing so that any questions can be resolved prior to action by the full Senate. Your attention to this matter is greatly appreciated and again thank you for talking with me regarding this bill.

With kindest regards.

Sincerely,

Mike McLeod

MRM:jb
Enclosures

4 — FEEDSTUFFS, July 9, 1984

Bill to lower tariff on yolks from U.S. shell eggs returning from Canada attacked by UEP

By JON F. SCHEID
Feedstuffs Washington Editor

WASHINGTON — Despite objections by the United Egg Producers, a bill that would lower the tariffs on some egg products coming back across the border from Canada after the U.S. shell eggs had been broken to produce a special product continues to make progress in Congress as a version has now been introduced in the Senate.

UEP said the bill would damage egg markets across the country, and the only reason for the measure is "friendships and favors" aimed at helping just one egg producer. Proponents said, though, the bill is merely a private sector attempt to expand exports. It would result in at least half a million cases of eggs leaving the U.S. yearly.

A U.S. firm, Cando Egg Producers, Devil's Lake, N.D., has struck an agreement with a Canadian firm, Exports Packers, Ltd., based in Winnipeg, to supply Exports Packers with at least 500,000 cases of eggs each year for the next seven years. There is an option to renew the contract for another three years after that, and there is a possibility that shipments would increase to a million cases a year.

Exporters would use the eggs to extract lysozyme, a antibiotic drug that has possibilities for treating such things as the common cold, as well as many other human diseases. (The drug has not been approved by the Food & Drug Administration, so no U.S. firms can manufacture it, even for export.)

The process for extracting lysozyme is patented by an Italian firm, sources said. While the patent is due to expire next year, for the time being Export Packers will have a North American monopoly on the process.

To get the best financial package possible, Exporter Packers went to the U.S. firm, Cando, for the raw material — the eggs — because the U.S. product is consistently less expensive that the eggs sold by the Canadian Egg Marketing Agency (CEMA).

According to Dennis Palmer, the owner of Cando, Export Packers has already obtained permission from the Canadian government to essentially go around the CEMA and buy U.S. eggs. That, in itself, is quite a coup, he added.

But, to make the rest of the package fit together, Export Packers must arrange its markets so that it can dispose of the whites and yolks at a fair price. That's where the legislation comes in.

In January, Rep. Bill Frenzel (R., Minn.) introduced a short bill that would drop the tariff on the egg yolks being returned to the U.S. from 27 cents/lb. to 5.5 cents. The bill specifies that the yolk must be from U.S. shell eggs which were used to extract lysozyme.

UEP began battling the bill when it was introduced, but has not as yet had any success in getting it defeated. In fact, the companion bill was just introduced in the Senate on June 29 by Sen. David Durenberger (R., Minn.).

According to Tom Hagedorn, a former U.S. congressman from Minnesota and the consultant working with Cando, the 5.5 cents left for a tariff would represent the value added to the product by the Canadian processor. The yolk itself should not face an import tax because it is a U.S. product.

Cathy McCharen, UEP's representative here, said her association does not object to the deal between Cando and Export Packers, but strongly opposes this tariff break.

On the surface, she said, the deal between Cando and Export Packers would seem to help increase egg exports. But, in truth, the arrangement would come back and hurt producers by ultimately reducing demand for eggs, McCharen said.

One major UEP concern is that Cando has never shown proof that the Canadian government will allow the imports. Palmer said his Canadian counterpart has the necessary permission, if the tariff reduction is approved in the U.S.

(Canada closely controls imports across its borders, according to Campbell Stuart, with Canada's special trade branch. But, he added, there are cases when Canada will issue supplementary import permits if the importing firm needs the help to be price competitive, and if it would help avoid an egg shortage in Canada.)

If the deal falls through, either now or next year, than unneeded excess capacity would end up back on the U.S. market or in export markets, McCharen said.

Further, she said, the deal will displace existing U.S. export sales. Currently, Japan buys 80% of the U.S. egg white exports. If Export Processors gets the tariff reduction on egg yolks to the U.S., then it will be able easily undercut U.S. exporters' prices to Japan. The loss of that market will end up cutting demand for eggs, thus harming the U.S. producer. Export Packers is already successfully competing for the U.S. market without this added boost, McCharen added.

Joining UEP in opposition is the U.S. Department of Agriculture. Undersecretary of Agriculture Daniel Amstutz sent a letter to the House Ways & Means Committee, which currently has the bill, saying that the tariff reduction would give a competitive advantage to Canada.

For one thing, he said, the Food & Drug Administration has been approached to approve lysozyme production in the U.S., and if FDA does approve it, Canada would automatically hold a competitive advantage over U.S. producers because of the reduction in the tariff.

Amstutz also said, "The tariff reduction would give a trade benefit to Canada that would be more appropriately conferred as a result of trade negotiations resulting in equivalent advantages for the U.S." Also, it would grant Canada preferential treatment, a direct violation of international agreements.

Hagedorn, Cando's consultant, said the opposition is "ridiculous." The Reagan Administration is strongly in favor of exports, but now is opposing a plan that would remove 10,000 cases a week, he said.

Hagedorn said the Administration may be holding this up as a bargaining chip on other trade disputes with Canada. But, he said, the U.S. should go ahead and let this deal go through: "A bird in the hand is worth two in the bush."

If the U.S. does not supply the eggs, other countries will, he said. The whites will still appear on the export market, and the U.S will completely lose out, he added.

Hagedorn acknowledged that U.S. processors may fear added competition, but that's not the case. If the deal goes through, rather than flood the market with whites and yolks, it will remove the whites of 500,000 cases of eggs from the market (the whites cannot come back in by law, he said), and allow only some yolks back in, most of which will be exported to other countries, he said.

But if the bill is not passed soon, either later this month or early in August, Export Packers will buy its eggs from some other supplying country, most likely Israel, and U.S. producers will completely lose out. #

These changes have brought both new strength and a new vulnerability to the farm sector, the econ-

nerabilities does not automatically suggest solutions to farm sector problems. Prentice, who notes that

LETTERS TO THE EDITOR

Egg producer/processor opposes yolk tariff bill

To the editor:

Regarding the article, "Bill to lower tariff on yolks from U.S. shell eggs returning from Canada attacked by UEP" (*Feedstuffs*, July 9), I am very concerned about this bill, which in my opinion could set dangerous precedents for egg producers as well as hog producers and other food growers.

I also believe that it is extremely important that your readers recognize that the United Egg Producers is not alone in its opposition to this bill. Congressmen Bill Frenzel (R., Minn.), and Minnesota's own state poultry group, the Minnesota Poultry Industries Assn., has gone on record opposing the bill, along with several other state poultry industry groups, cooperatives, and many egg producers such as myself.

As an egg producer and egg products manufacturer, plus an exporter, I find myself in a rather unique position of opposing H.R. Bill 4647 and the Senate version by Sen. (Dave) Durenberger. (R., Minn.).

On the surface, both bills seem intent on promoting export of U.S. eggs. However, one needs to know that in Canada, a closed marketing system controls the production of eggs internally plus controls and prohibits many imports of shell eggs without a license. In 1983, Canada exported more eggs than would be required by this Canadian company for Lyzozyme production to the U.S. to keep its own market price high. The eggs that were sent to the U.S. were utilized for breaking in the U.S. and were sometimes, in my opinion, harmful to prices in the U.S. An example was when, in the summer of 1983, the U.S. government was trying to boost egg prices via a commodity purchase of dried egg mix, Canada was sending in as many eggs to the U.S., thus offsetting any benefit from the U.S. Department of Agriculture egg mix program.

At the present, egg breakers in Minnesota and Iowa are supplying the Canadian firm with liquid egg whites. What this bill would do is give Canada the incentive to allow its producers to overproduce even more, and then we would get not only lower duty yolk powder back to the U.S., but also additional amounts of shell eggs, subsidized by the Canadian egg authorities. We would also see the further erosion of the U.S. market share in Japan for egg white powder, which is our major market. We would also see the loss of the market in Canada for liquid egg whites which U.S. companies currently have.

I strongly support Canada going elsewhere for the shell eggs for this project. Basically I suggest Canada take its own eggs and thus stop dropping eggs below its own market costs in the U.S. and harming our market. I strongly urge egg producers and other food producers to write their congressmen and senators opposing subsidized exports from other countries which do not allow U.S. companies equal access, such as Canada.

Sincerely,

Dean Hughson, vice president
Milton G. Waldbaum Co.
501 No. Main
Wakefield, Neb. 68784

current value of their land.

Compounding the problem have been the high interest rates in the 1980s, with a shift to variable loan rates for a portion of the real estate debt in recent years making the impact of higher rates even greater. Interest payments have increased to 15% of total farm production expenses in 1983, double the 7.5% level of 1970.

The upshot has been that 3-5% of all farmers ceased operating in 1983, up significantly from a more normal 1-2%, the bank notes, and there is evidence suggesting that an equally large number of farmers liquidated portions of their assets to reduce debt loads and lower loan payments to levels that can be handled with current cash flow. On a brighter side, the worst may be past. Farmland values seem to be stabilizing and the outlook for farm income is improving. But the financial adjustment process between farmers and lenders is likely to continue for several years, says the bank.

Export upswing

U.S. ag exports appear to be coming out of their slump this year, with USDA reporting a 14% increase in the value of exports, to $24.1 billion, for the first seven months of the current marketing year (October-April). The volume actually is running a little behind a year ago. USDA's Economic Research Service believes the value of shipments by the end of the year could hit $38 billion, up 9% from last year's $34.8 billion and the first year-to-year increase since 1980-81. Volume currently is estimated at 142 million metric tons, down from last year's 144.8 mmt. On the value side, corn exports are seen at $7.2 billion, up 26%, and soybeans at $6.4 billion, up 9% from last year. Cotton exports are expected to climb 41% to $2.4 billion, while wheat shipments, at $6.3 billion, would be up only 1% in value. Farm imports also should increase this year, says USDA, to a record high $17.5 billion, up 7% from last year.

TABLE 1. Starter Rations

UEP
United Egg Producers

July 25, 1984

The Honorable Bob Dole
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the United Egg Producers I would like to express our opposition to S. 2809, recently introduced by Senator Durenberger at the request of Congressman Frenzel. This legislation would reduce the duty on certain dried egg yolks processed from U.S. produced eggs and exported into Canada for use in manufacture of lysozyme.

The United Egg Producers is the only national organization representing egg producers in Washington, D.C. and represents more than sixty percent of the volume of production in the U.S.

Although this bill has been represented as being beneficial to the U.S. egg industry and noncontroversial, it actually is a special interest bill that benefits the Canadian egg processors at the expense of the U.S. egg industry. We feel that it would, in the long run, depress the price producers receive for their eggs. Attached is a copy of a more detailed economic facts sheet on the impact this bill would have on the U.S. egg producers.

Although the Administration and the nation's egg producers and egg processors have strongly opposed this special interest legislation we believe that there will be an attempt to add this legislation to H.R. 3398, the Omnibus Tariff Bill, when it is considered on the Senate floor. We urge you to oppose this effort.

It is hard for us to understand how this bill can still be receiving serious consideration, especially in light of all the opposition. Briefly, the bill is

1. Opposed by the Administration;

Washington Office
1000 Thomas Jefferson St., N.W., Suite 600, Washington, D.C. 20007/(202) 333-3233
UEP Headquarters
3951 Snapfinger Parkway, Suite 580, Decatur, Georgia 30035/(404) 288-6700

2. Opposed by U.S. egg producers;
3. Opposed by the Chairman of the Dairy, Poultry and Livestock Subcommittee of the House Agriculture Committee, and
4. Opposed by the Minnesota Poultry Industry Association (although the bill is sponsored by Congressman Frenzel of Minnesota).

In addition, S. 2809 and the companion House bill H.R. 4647 have not had the benefit of Congressional hearings in either House.

We would welcome the opportunity to discuss this further with you and I hope you will oppose any attempts to add this as an amendment to H.R. 3398.

With kindest regards,

Sincerely,

Al Pope

Albert E. Pope

AEP:jb
Enclosure

UEP
United Egg Producers

July 20, 1984

By Hand

The Honorable Robert Dole
Chairman
Senate Finance Committee
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the United Egg Producers I would like to express our opposition to S. 2809 introduced recently by Senator Durenberger. This legislation would reduce the duty on certain dried egg yolks and would be detrimental to the U.S. egg industry.

The United Egg Producers is a federation of egg marketing cooperatives with members in nearly every state in the US. We are the only national organization representing strictly egg producers in Washington, D.C. Our egg producer members are both large and small, and represent 60 percent of the volume of production in the U.S. We know of no legitimate group of egg producers who are in favor of this bill.

Although this bill has been represented as being beneficial to the U.S. egg industry and non-controversial, we feel that it would, in the long run, depress the price producers receive for their eggs. We oppose the bill for the following reasons:

1. It has not been sought by U.S. egg producers or processors. The bill has been sought by a Canadian processor and the owner of an egg production facility in the U.S. It amounts to a U.S. government subsidy for a Canadian egg processor.

2. There is no assurance in writing that the Canadian government will allow these additional eggs into Canada over and above current quota. If they do not, it will displace current exports, not increase them or open up the Canadian market.

Washington Office
1000 Thomas Jefferson St., N.W., Suite 600, Washington, D.C. 20007/(202) 333-3233
UEP Headquarters
3951 Snapfinger Parkway, Suite 580, Decatur, Georgia 30035/(404) 288-6700

3. The USDA is opposed to the bill. See their attached letter for their concerns.

4. The bill has not had any hearing in either the House or Senate. There has not been any opportunity to air all the problems with the bill, or to have all parties opposed present their case. The House Ways & Means Trade Subcommittee has characterized the bill as highly controversial and would not include it in its package of non-controversial trade measures.

5. The Chairman of the Subcommittee on Livestock, Dairy and Poultry of the House Agriculture Committee has expressed his concern over the bill's effects. Other Congressmen have also expressed opposition. (Letters enclosed.)

6. The bill would directly injure U.S. egg breakers and processors economically by displacing sales of dried egg yolk domestically and dried white internationally with product priced lower due to this duty reduction and other economic advantages already in place.

7. If U.S. processors and breakers are harmed economically, the U.S. egg producer suffers as well. A more detailed economic impact paper is enclosed and this point is discussed in depth.

We would be pleased to meet with you and other staff of the Finance Committee to discuss our opposition and answer any questions you might have. I have taken the liberty of enclosing a sampling of letters written about the companion bill, H.R. 4647, in the House.

Sincerely,

Al Pope

Albert E. Pope
President

AEP:jb
Enclosures

UEP
United Egg Producers

July 20, 1984

By Hand

The Honorable Robert Dole
Chairman
Senate Finance Committee
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the United Egg Producers I would like to express our opposition to S. 2809 introduced recently by Senator Durenberger. This legislation would reduce the duty on certain dried egg yolks and would be detrimental to the U.S. egg industry.

The United Egg Producers is a federation of egg marketing cooperatives with members in nearly every state in the US. We are the only national organization representing strictly egg producers in Washington, D.C. Our egg producer members are both large and small, and represent 60 percent of the volume of production in the U.S. We know of no legitimate group of egg producers who are in favor of this bill.

Although this bill has been represented as being beneficial to the U.S. egg industry and non-controversial, we feel that it would, in the long run, depress the price producers receive for their eggs. We oppose the bill for the following reasons:

1. It has not been sought by U.S. egg producers or processors. The bill has been sought by a Canadian processor and the owner of an egg production facility in the U.S. It amounts to a U.S. government subsidy for a Canadian egg processor.

2. There is no assurance in writing that the Canadian government will allow these additional eggs into Canada over and above current quota. If they do not, it will displace current exports, not increase them or open up the Canadian market.

Washington Office
1000 Thomas Jefferson St., N.W., Suite 600, Washington, D.C. 20007/(202) 333-3233
UEP Headquarters
3951 Snapfinger Parkway, Suite 580, Decatur, Georgia 30035/(404) 288-6700

The Honorable Robert Dole
July 20, 1984
Page -2-

3. The USDA is opposed to the bill. See their attached letter for their concerns.

4. The bill has not had any hearing in either the House or Senate. There has not been any opportunity to air all the problems with the bill, or to have all parties opposed present their case. The House Ways & Means Trade Subcommittee has characterized the bill as highly controversial and would not include it in its package of non-controversial trade measures.

5. The Chairman of the Subcommittee on Livestock, Dairy and Poultry of the House Agriculture Committee has expressed his concern over the bill's effects. Other Congressmen have also expressed opposition. (Letters enclosed.)

6. The bill would directly injure U.S. egg breakers and processors economically by displacing sales of dried egg yolk domestically and dried white internationally with product priced lower due to this duty reduction and other economic advantages already in place.

7. If U.S. processors and breakers are harmed economically, the U.S. egg producer suffers as well. A more detailed economic impact paper is enclosed and this point is discussed in depth.

We would be pleased to meet with you and other staff of the Finance Committee to discuss our opposition and answer any questions you might have. I have taken the liberty of enclosing a sampling of letters written about the companion bill, H.R. 4647, in the House.

Sincerely,

Al Pope

Albert E. Pope
President

AEP:jb
Enclosures

Attn: [redacted]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

JUN 22 1984

Honorable Dan Rostenkowski
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We wish to offer our comments on H.R. 4647, a bill "To apply a reduced rate of duty to certain dried egg yolk processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme."

The Department of Agriculture opposes enactment of this legislation.

H.R. 4647 would reduce from 27 cents per pound to 5.5 cents per pound the duty on certain dried egg yolk imported from Canada. Only dried egg yolk processed from eggs produced in the United States and exported in the shell to Canada, where they were used for the extraction of lysozyme, would be subject to the reduced rate of duty.

The Department of Agriculture objects to this legislation for the following reasons:

> Current U.S exports of value-added egg whites would be exchanged for lower-valued shell eggs and the resulting increased availability of egg whites in Canada would increase competition for existing U.S. egg white exports in other markets.
>
> Canada maintains no prohibitive duty or quota on egg white imports but does maintain a quota on shell egg imports which we have no evidence will increase indefinitely. (Canadian egg industry currently is in surplus production. In addition, the Canadian Egg Marketing Board apparently was totally unaware of the recent increase in import licenses granted to the one U.S. producer-exporter.)
>
> It would be difficult for U.S. Customs to administer an alternative tariff classification for egg yolk imports derived from U.S. produced eggs which would be in addition to the normal Canadian shell egg import quota.

The tariff reduction would give a trade benefit to Canada that would be more appropriately conferred as a result of trade negotiations resulting in equivalent advantages for the United States. This is the type of situation we face repeatedly and exemplifies the Administration's need for broad tariff negotiating authority.

U.S. companies are now working toward Food and Drug Administration approval of lysozyme production and export, which, when attained, would place them in competition with Canadian lysozyme producers able to dispose of their byproducts (i.e. egg yolk) at a reduced tariff, making them more competitive with U.S. lysozyme producer byproducts.

Finally, the bill would grant Canada preferential treatment over other countries for imported dried egg yolk. This contravenes United States obligation under various international agreements and treaties not to discriminate among trading partners.

The Office of Management and Budget advises that it has no objection to the presentation of this report from the standpoint of the President's program.

Sincerely,

Daniel G. Amstutz

Acting [redacted]

TOM HARKIN, IOWA,
CHAIRMAN
HA[illegible] L. VOLKMER, MO
J[illegible] OLIN, VA
EL[illegible]S, TENN
CHARLES ROSE, N.C.
TONY COELHO, CALIF
CHARLES W. STENHOLM, TEX
CHARLES HATCHER, GA
TIMOTHY J. PENNY, MINN
TOM DASCHLE, S. DAK.
E (KIKA) DE LA GARZA, TEX.,
EX OFFICIO MEMBER

GEORGE PALMER,
STAFF DIRECTOR

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Livestock, Dairy, and Poultry
Room 1301, Longworth House Office Building
Washington, D.C. 20515

JAMES M. JEFFORDS, VT.,
RANKING MINORITY MEMBER
LARRY J. HOPKINS, KY.
GEORGE HANSEN, IDAHO
JOE SKEEN, N. MEX.
STEVE GUNDERSON, WIS.
EDWARD R. MADIGAN, ILL.,
EX OFFICIO MEMBER

STEPHEN R. KERR,
MINORITY CONSULTANT

June 21, 1984

The Honorable Sam Gibbons
Chairman, Trade Subcommittee
House Committee on Ways and Means
Washington, D.C. 20515

Dear Mr. Chairman:

I am concerned about a bill your Subcommittee will be considering at markup next week. This bill, H.R. 4647, would reduce the import duty on certain dried egg yolks processed from U.S. produced eggs and exported to Canada for use in the manufacture of lysozyme.

At first blush, it would appear that the original intent of this legislation was to assist U.S. egg producers in exporting shell eggs to Canada. However, after hearing from several egg producers, I find that this is not the case. In fact, U.S. egg producers are opposed to this legislation and inform me that it only benefits one particular company.

I am sure that you are aware, Mr. Chairman, that the United States has been deluged with imports of shell eggs from several countries. This has caused severe economic problems for many of our egg producers. Canadian imports have been a particular problem. Since the Canadian egg market is controlled, only a small number of U.S. imports are permitted into Canada, compared to the large number of Canadian shipments to the U.S. which depress our market price.

By reducing the duty on dried egg yolks, as this bill would do, the Congress would only be creating another economic advantage for a Canadian company which would lead to displace sales of U.S. product in our own market. If sales are reduced, fewer U.S. eggs will be broken for the product, and this will affect the egg market price nationwide.

Because of the controversial nature of this legislation, I urge that it not be approved by the Subcommittee as a non-controversial bill. Full and complete hearings should be held before this bill is reported, if it is reported at all.

Your favorable consideration of this request is appreciated.

Sincerely,

Tom Harkin

Tom Harkin
Chairman

HAL DAUB
2D DISTRICT, NEBRASKA

COUNTIES:
BURT
CASS
DOUGLAS
SARPY
WASHINGTON

PUBLIC WORKS AND
TRANSPORTATION COMMITTEE

SMALL BUSINESS COMMITTEE

SELECT COMMITTEE ON AGING

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE
1019 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-4155

DAVID HEINEMAN
ADMINISTRATIVE ASSISTANT

HOME OFFICE:
ROOM 8424 FEDERAL BUILDING
215 NORTH 17TH STREET
OMAHA, NEBRASKA 68102
(402) 221-4216

JOHN AMICK
DISTRICT OFFICE MANAGER

June 25, 1984

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Banking, Finance
and Urban Affairs
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Gibbons:

It is my understanding that tomorrow the Subcommittee on Trade will consider H.R. 4647, introduced by Congressman Frenzel to reduce the import duty on certain dried egg yolks processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme.

Concerns have been raised by constituents in my State of Nebraska over the impact this measure would have on themselves and egg producers and processors. While I am aware that written comments have been solicited on this measure, I believe that receipt of more testimony on the bill would be highly beneficial.

Based on information I have received to date on H.R. 4647, the benefits of the bill may, in reality, be minimal and the measure may in fact harm U.S. egg producers and those working to establish themselves in the lysozyme extraction industry.

I therefore would urge that the Subcommittee delay further action on the measure until full public hearings have been held and all interested parties have been allowed the opportunity to submit testimony. The present state of U.S. agriculture dictates that we move cautiously, particularly where trade matters are concerned. Existing agricultural trade difficulties with Canada, such as that impacting our domestic pork producers, call for greater attention to impact trade legislation may have on related areas of trade.

Your attention to this matter is greatly appreciated.

Sincerely,

HAL DAUB
MEMBER OF CONGRESS

cc: The Honorable Bill Frenzel

COMMITTEE ON BANKING,
FINANCE AND URBAN AFFAIRS
SUBCOMMITTEES:
HOUSING AND COMMUNITY
DEVELOPMENT
ECONOMIC STABILIZATION
ATIONAL DEVELOPMENT
TUTIONS AND FINANCE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEES:
INTERNATIONAL ECONOMIC POLICY AND TRADE
WESTERN HEMISPHERE AFFAIRS
RURAL CAUCUS
ENVIRONMENTAL AND ENERGY
STUDY CONFERENCE

Congreſs of the United States
House of Representatives
Washington, D.C. 20515

DOUG BEREUTER
1ST DISTRICT, NEBRASKA
WASHINGTON OFFICE:
1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-4806
DISTRICT OFFICES:
1045 K STREET
P.O. BOX 82887
LINCOLN, NEBRASKA 68501
(402) 471-5400
P.O. BOX 213
WAYNE, NEBRASKA 68787
(402) 375-3030

June 22, 1984

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Sam:

I have just learned that on Tuesday, June 26, the Subcommittee on Trade will consider H.R. 4647, a bill by Representative Frenzel to reduce the import duty on certain dried egg yolks processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme.

Several of my constituents have raised serious questions about the impact of this measure on themselves and their industry. They are particularly distressed by the prospect for passage of this legislation in light of the continued restraints which the Canadians place on access to their egg market. Although I am aware that written comments have been solicited on this measure, I believe that the Subcommittee would benefit greatly from receipt of more testimony on this issue. I would urge, therefore that you delay Subcommittee action until full public hearings have been held and all interested parties have been allowed an opportunity to testify.

A few weeks ago, I met with an official of [redacted] NO the prime beneficiary of this legislation. Although that meeting helped me develop a clearer understanding of the proponents' arguments in favor of this duty reduction, I still have serious doubts that passage of this bill would not unnecessarily harm the egg producers of our country and those individuals desiring to establish themselves in the lysozyme extraction industry. Nor do I believe, on the basis of the information presented thus far to me, that the benefits of H.R. 4647 would be more than minimal to American egg producers. Before your Subcommittee acts on this measure, I hope you will probe completely the impact of this legislation upon an already troubled industry.

The Honorable Sam Gibbons
June 22, 1984
Page two

If you have any questions about this issue, please do not hesitate to contact me. I would be heppy to provide any information you believe would be helpful to you.

Thank you for your prompt attention to this request.

Best wishes,

Doug

DOUG BEREUTER
Member of Congress

DB/sle

cc: The Honorable Bill Frenzel

MPIA

MINNESOTA
POULTRY
INDUSTRIES
ASSOCIATION

May 11, 1984

Representative Bill Frenzel
U.S. House of Representatives
1026 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Frenzel:

The context and closing statements of your letter dated May 1, 1984 indicate continued support of HR 4647 even though it will be injurious to the US egg industry.

We would like to submit the following rebuttal in response to the supportive rationales in your letter:

Not difficult to monitor yolk import to shell egg export

Export declaration forms for shell eggs require quantity, grade and price. How can egg yolk yield be determined? If more information was required on the export declaration form, what existing department within customs would extrapolate it?

Encourage sales of US shell eggs

Sales of US shell eggs to Canada are based on monthly quotas established by their egg marketing board. This new market would dilute existing marketing channels, therefore, nothing is gained. The "loss" would be existing sales of liquid whites which are not subject to that quota.

Benefits to US producers outweigh the danger of the bill

The only benefit is selling shell eggs to the Canadian breakers from North Dakota. Your constituents live in Minnesota. The mere fact that it is a dangerous bill without foundation, other than special interest, mandates repeal.

2950 Metro Drive, Suite 308 • Bloomington, MN 55420 • (612) 854-3336

The bill subsidizes egg yolk sales

The purpose of breaking the shell eggs is to extract the enzyme lysozyme from the whites for added values. Egg yolks become a bi-product, which can then be sold, coupled with a lower tariff, at less the market value, to the US food processors.

Tension between US producers and processors

Our association is comprised of both producers and processors and the Board of Directors unanimously opposes the bill.

We sincerely hope you will give serious consideration to these points and that the logic presented will aid you in withdrawing HR 4647.

Very truly yours,

MINNESOTA POULTRY INDUSTRIES ASSOCIATION

David Hodnefield
President, Board of Directors

DH:jh

ECONOMIC EFFECTS OF S-2809 ON THE U.S. EGG INDUSTRY

The primary reason United Egg Producers opposes reducing the duty on egg yolk is that we cannot support giving a Canadian egg processor yet another economic advantage over U.S. egg processors.

THE CURRENT DUTY IS FAIR; CANADA IS STILL COMPETITIVE AT THIS LEVEL. The current duty of .27 per pound is fair and was set to reflect the estimated value of drying eggs and is independent of where the eggs come from originally. Even with this duty, Canada last year exported to the U.S. 300,000 pounds of whole egg or yolk powder at a competitive price, displacing 30,000 cases of eggs that would have been broken here in the U.S.

THE CANADIAN FIRM ALREADY HAS SUBSTANTIAL ECONOMIC ADVANTAGES. The Canadian firm which extracts lysozyme from egg white already has substantial economic advantages over U.S. firms in the egg products market worldwide. First of all, they are able to remove lysozyme from egg whites and sell it to pharmaceutical companies without having to label the egg white powder as having lysozyme removed. The value of the lysozyme amounts to as much as .67 per pound of dried white. The Canadian processor can theoretically reduce his price to that extent, giving him a substantial economic advantage on world markets to the detriment of U.S. processors.

According to USDA information (Publication EM 546 Schedule B) in calendar year 1983 the U.S. exported 6,961,466 pounds of dried egg whites. Of that amount, 5,719,987 pounds went to Japan. The value of the Japanese business alone was $7,947,414. The total value of egg white sales abroad was $9,868,823. THE POTENTIAL AMOUNT OF ALBUMEN THAT THE CANADIAN PROCESSOR WILL BE SELLING AT A REDUCED PRICE BECAUSE OF THE VALUE OF THE LYSOZYME EXTRACTED IS 1,114,285 POUNDS, MOSTLY TO JAPAN. Without a reduction in the duty on yolk returning to the U.S., this processor has a strong cost advantage in his operation. We object to any measure that would give him an additional cost advantage.

Secondly, the Canadian government has, in effect, subsidized the expansion of the firm which is seeking this duty reduction. The lowered duty will amount to a U.S. subsidy for Canada's egg products industry and allow them to get far ahead of the U.S. in the lysozyme extraction technology. Lysozyme extraction is not yet an allowed process in the U.S. under the same labeling requirements as Canada. However, U.S. processors are working on federal regulations and hope to compete equally in the future. This bill would set back this progress substantially.

WE OPPOSE GIVING THE CANADIAN PROCESSOR YET ANOTHER ECONOMIC ADVANTAGE! The duty reduction on the yolk powder returning to the U.S. will give an additional unfair advantage to Canadian processors to compete in our domestic egg products market. In effect, U.S. processors will be hit with a double economic disadvantage, both at home and in markets overseas.

The current contract between CanDo Egg Company (U.S.) and Export Packers Co., Ltd. (Canada), calls for 10 loads of shell eggs per week or 7,500 cases/week. One case would yield 10 to 12 pounds of liquid yolk or more than 75,000 pounds. Dried, it would yield up to 4,000 pounds per week. OVER A YEAR'S TIME, 1.7 - 2.0 MILLION POUNDS OF DRIED YOLK WOULD BE RETURNING TO THE U.S. DOMESTIC MARKET . . . APPROXIMATELY 15 PERCENT OF U.S. PRODUCTION! (Oct. 1, 1982 - Sept. 30, 1983 U.S. dried yolk production was 12,379,000 pounds.) Because it would be priced less than U.S. product due to the numerous advantages already in place as well as the proposed duty reduction, it would displace U.S. processor sales. In addition, processors would lose the market for over 4 million pounds of liquid white sold to Canada last year to meet their processors' needs.

WHY ARE EGG PRODUCERS OPPOSED?

IT WILL DEPRESS THE MARKET. You may ask why should an egg producer co-op, United Egg Producers, be concerned about whether or not an egg processor is hurt by this bill. If this duty reduction allows the Canadian firm to displace the dried yolk sales domestically in addition to the competitive advantage they already have in world markets for dried egg white, fewer eggs will be broken in the U.S. Fewer eggs will be purchased from U.S. producers for breaking, therefore, depressing the market for breaking stock. This price is the floor or the basis of our table egg market, therefore, the table egg price will be depressed. If this measure passes, it will most certainly hurt the U.S. egg processors and therefore will hurt all egg producers. This downward price effect is much stronger than any weak enhancing effect the removal of shell eggs would have on our market.

WE SHOULD UTILIZE DOMESTIC BREAKERS AND KEEP JOBS HERE. There is a great deal of unused egg breaking and drying capacity in the U.S. It is to the egg industry's and the United States' advantage to break the eggs here and supply the whites to Canada for their needs because of the jobs retained and the economic benefits to the areas where breakers/dryers are located.

IT WON'T BENEFIT U.S. EGG PRODUCERS AS A WHOLE. We cannot accept the argument that this measure will help the U.S. egg producer by increasing egg sales to Canada and strengthening the egg prices here. The only contract for shell eggs in between CanDo Egg Company and Export Packers Co. Ltd. No one outside of this company benefits from eggs sold to Canada. It does not remove surplus eggs from our domestic market; therefore, does not strengthen the price nationwide.

IT WILL NOT "OPEN UP" THE CANADIAN MARKET. The proponent of this bill argues that it will open up the Canadian market to U.S. producers for the first time, thereby benefitting all producers in the long run. We disagree. Although the Canadian government reportedly has agreed to increase supplemental permits to import U.S. shell eggs for this purpose, we have not seen this promise substantiated. In any case that would hardly be "opening up" the Canadian market. The Canadian egg industry is a closed marketing and controlled production system. Producers are guaranteed a price through the egg marketing board, which purchases surplus and exports much of it to the U.S. breaker market, depressing our prices. This usually occurs at a time of year when we are also in surplus. We are allowed to export some eggs to Canada only under controlled conditions and at times when they are in short supply and we are also in short supply. This will not change. A duty reduction for dried egg yolk from U.S.-produced eggs isn't necessary for Canada to grant supplemental permits for any purpose and will not "open" the market. Conversely, we will not be "closing" any market by keeping the duty at .27/#.

The proponent of this bill also asserts that other processors in Canada will eventually utilize U.S. eggs in the same manner if the duty is reduced. We find this hard to accept. If the need for eggs exceeds Canada's capacity to produce, that need will be filled either through egg white purchased from U.S. breakers or shell eggs. A duty reduction isn't necessary.

CANADA IS IN SURPLUS FOR EGGS . . . WHY NOT UTILIZE THAT SURPLUS? In 1983, Canada exported nearly 2 million cases of eggs to the U.S. which was subsidized by producer assessments to the tune of $18.48/case . . . or $13 million last year. They are in a surplus situation, and whenever they're in surplus, the U.S. breaker market receives their product . . . depressing prices in the U.S. We would much rather see the Canadian processor utilize their own surplus for their lysozyme needs so Canada won't have to dump their egg surplus in the U.S. For what reason would they want to buy product from the U.S. if the Canadians have 2 million cases of eggs in surplus? The only conceivable reason is that it is a less expensive product. Of course, we have no objection to any Canadian firm purchasing either shell eggs or egg white from the U.S. if their needs aren't met by their domestic supply. We only oppose giving them an additional economic advantage by reducing the duty on egg yolk returning to the U.S.

HAL DAUB
2D DISTRICT, NEBRASKA

COUNTIES:
BURT
CASS
DOUGLAS
SARPY
WASHINGTON

PUBLIC WORKS AND
TRANSPORTATION COMMITTEE

SMALL BUSINESS COMMITTEE

SELECT COMMITTEE ON AGING

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
1019 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-4155

DAVID HEINEMAN
ADMINISTRATIVE ASSISTANT

HOME OFFICE:
ROOM 8424 FEDERAL BUILDING
215 NORTH 17TH STREET
OMAHA, NEBRASKA 68102
(402) 221-4216

JOHN AMICK
DISTRICT OFFICE MANAGER

June 25, 1984

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Banking, Finance
and Urban Affairs
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Gibbons:

It is my understanding that tomorrow the Subcommittee on Trade will consider H.R. 4647, introduced by Congressman Frenzel to reduce the import duty on certain dried egg yolks processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme.

Concerns have been raised by constituents in my State of Nebraska over the impact this measure would have on themselves and egg producers and processors. While I am aware that written comments have been solicited on this measure, I believe that receipt of more testimony on the bill would be highly beneficial.

Based on information I have received to date on H.R. 4647, the benefits of the bill may, in reality, be minimal and the measure may in fact harm U.S. egg producers and those working to establish themselves in the lysozyme extraction industry.

I therefore would urge that the Subcommittee delay further action on the measure until full public hearings have been held and all interested parties have been allowed the opportunity to submit testimony. The present state of U.S. agriculture dictates that we move cautiously, particularly where trade matters are concerned. Existing agricultural trade difficulties with Canada, such as that impacting our domestic pork producers, call for greater attention to impact trade legislation may have on related areas of trade.

Your attention to this matter is greatly appreciated.

Sincerely,

HAL DAUB
MEMBER OF CONGRESS

cc: The Honorable Bill Frenzel

TOM HARKIN, IOWA,
CHAIRMAN
HAROLD L. VOLKMER, MO.
JAMES R. OLIN, VA.
E [illegible] S, TENN
[illegible] ROSE, N.C.
TONY COELHO, CALIF
CHARLES W. STENHOLM, TEX.
CHARLES HATCHER, GA.
TIMOTHY J. PENNY, MINN.
TOM DASCHLE, S. DAK.
E (KIKA) DE LA GARZA, TEX.,
EX OFFICIO MEMBER

GEORGE PALMER,
STAFF DIRECTOR

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Livestock, Dairy, and Poultry
Room 1301, Longworth House Office Building
Washington, D.C. 20515

JAMES M. JEFFORDS, VT.,
RANKING MINORITY MEMBER
LARRY J. HOPKINS, KY.
GEORGE HANSEN, IDAHO
JOE SKEEN, N. MEX.
STEVE GUNDERSON, WIS.
EDWARD R. MADIGAN, ILL.,
EX OFFICIO MEMBER

STEPHEN R. [illegible],
MINORITY CONSULTANT

June 21, 1984

The Honorable Sam Gibbons
Chairman, Trade Subcommittee
House Committee on Ways and Means
Washington, D.C. 20515

Dear Mr. Chairman:

I am concerned about a bill your Subcommittee will be considering at markup next week. This bill, H.R. 4647, would reduce the import duty on certain dried egg yolks processed from U.S. produced eggs and exported to Canada for use in the manufacture of lysozyme.

At first blush, it would appear that the original intent of this legislation was to assist U.S. egg producers in exporting shell eggs to Canada. However, after hearing from several egg producers, I find that this is not the case. In fact, U.S. egg producers are opposed to this legislation and inform me that it only benefits one particular company.

I am sure that you are aware, Mr. Chairman, that the United States has been deluged with imports of shell eggs from several countries. This has caused severe economic problems for many of our egg producers. Canadian imports have been a particular problem. Since the Canadian egg market is controlled, only a small number of U.S. imports are permitted into Canada, compared to the large number of Canadian shipments to the U.S. which depress our market price.

By reducing the duty on dried egg yolks, as this bill would do, the Congress would only be creating another economic advantage for a Canadian company which would lead to displace sales of U.S. product in our own market. If sales are reduced, fewer U.S. eggs will be broken for the product, and this will affect the egg market price nationwide.

Because of the controversial nature of this legislation, I urge that it not be approved by the Subcommittee as a non-controversial bill. Full and complete hearings should be held before this bill is reported, if it is reported at all.

Your favorable consideration of this request is appreciated.

Sincerely,

Tom Harkin

Tom Harkin
Chairman

MPIA
MINNESOTA
POULTRY
INDUSTRIES
ASSOCIATION

May 11, 1984

Representative Bill Frenzel
U.S. House of Representatives
1026 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Frenzel:

The context and closing statements of your letter dated May 1, 1984 indicate continued support of HR 4647 even though it will be injurious to the US egg industry.

We would like to submit the following rebuttal in response to the supportive rationales in your letter:

Not difficult to monitor yolk import to shell egg export

Export declaration forms for shell eggs require quantity, grade and price. How can egg yolk yield be determined? If more information was required on the export declaration form, what existing department within customs would extrapolate it?

Encourage sales of US shell eggs

Sales of US shell eggs to Canada are based on monthly quotas established by their egg marketing board. This new market would dilute existing marketing channels, therefore, nothing is gained. The "loss" would be existing sales of liquid whites which are not subject to that quota.

Benefits to US producers outweigh the danger of the bill

The only benefit is selling shell eggs to the Canadian breakers from North Dakota. Your constituents live in Minnesota. The mere fact that it is a dangerous bill without foundation, other than special interest, mandates repeal.

2950 Metro Drive, Suite 308 • Bloomington, MN 55420 • (612) 854-3336

The bill subsidizes egg yolk sales

The purpose of breaking the shell eggs is to extract the enzyme lysozyme from the whites for added values. Egg yolks become a bi-product, which can then be sold, coupled with a lower tariff, at less the market value, to the US food processors.

Tension between US producers and processors

Our association is comprised of both producers and processors and the Board of Directors unanimously opposes the bill.

We sincerely hope you will give serious consideration to these points and that the logic presented will aid you in withdrawing HR 4647.

Very truly yours,

MINNESOTA POULTRY INDUSTRIES ASSOCIATION

David Hodnefield
President, Board of Directors

DH:jh

Contacted me to
[illegible]

JOHN CAMPBELL
AGRICULTURAL AIDE

VIRGINIA SMITH
MEMBER OF CONGRESS
NEBRASKA

2202 RAYBURN BUILDING
WASHINGTON, DC 20515
(202) 225-6435

ss of the United States
use of Representatives
ashington, D.C. 20515

COMMITTEE:
APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE
ENERGY AND
WATER DEVELOPMENT

June 26, 1984

Honorable Sam Gibbons
Chairman
Trade Subcommittee
House Ways and Means Committee
Washington, D. C. 20515

Dear Sam:

I am very concerned about a bill your Subcommittee will be considering at mark-up this week. This bill, H.R. 4647, would reduce the import duty on certain dried egg yolks processed from eggs produced in the U.S. and exported to Cananda for use in the manufacture of lysozyme.

It would appear that the original intent of this legislation was to assist U.S. egg porducers in exporting shell eggs to Canada. However, after hearing from several egg producers and processors in Nebraska and from the United Egg Producers which represents egg producers nationwide, I find that this is not the case. In fact, U.S. egg producers are opposed to this legislation and inform me that it benefits one particular company.

I am sure that you are aware that the United states has been deluged with imports of shell eggs form several countries. Canadian imports have been a particular problem. Since the Canadian egg market is controlled, only a small number of U.S. imports are allowd into Canada.

By reducing the duty on dried egg yolks, as this bill would do, the Congress would only be creating another economic advantage for Canadian imports which would lead to displaced sales of U.S. product on our own market.

Because of the controversial nature of this legislation, I urge that it not be approved by the Subcommittee without full and complete hearings.

With best wishes, I am

Sincerely,

VIRGINIA SMITH
Member of Congress

VS/jc

UEP
United Egg Producers

July 25, 1984

The Honorable Bob Dole
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the United Egg Producers I would like to express our opposition to **S. 2809**, recently introduced by Senator Durenberger at the request of Congressman Frenzel. This legislation would reduce the duty on certain dried egg yolks processed from U.S. produced eggs and exported into Canada for use in manufacture of lysozyme.

The United Egg Producers is the only national organization representing egg producers in Washington, D.C. and represents more than sixty percent of the volume of production in the U.S.

Although this bill has been represented as being beneficial to the U.S. egg industry and noncontroversial, it actually is a special interest bill that benefits the Canadian egg processors at the expense of the U.S. egg industry. We feel that it would, in the long run, depress the price producers receive for their eggs. Attached is a copy of a more detailed economic facts sheet on the impact this bill would have on the U.S. egg producers.

Although the Administration and the nation's egg producers and egg processors have strongly opposed this special interest legislation we believe that there will be an attempt to add this legislation to H.R. 3398, the Omnibus Tariff Bill, when it is considered on the Senate floor. We urge you to oppose this effort.

It is hard for us to understand how this bill can still be receiving serious consideration, especially in light of all the opposition. Briefly, the bill is

1. Opposed by the Administration;

Washington Office
1000 Thomas Jefferson St., N.W., Suite 600, Washington, D.C. 20007/(202) 333-3233
UEP Headquarters
3951 Snapfinger Parkway, Suite 580, Decatur, Georgia 30035/(404) 288-6700

2. Opposed by U.S. egg producers;

3. Opposed by the Chairman of the Dairy, Poultry and Livestock Subcommittee of the House Agriculture Committee, and

4. Opposed by the Minnesota Poultry Industry Association (although the bill is sponsored by Congressman Frenzel of Minnesota).

In addition, S. 2809 and the companion House bill H.R. 4647 have not had the benefit of Congressional hearings in either House.

We would welcome the opportunity to discuss this further with you and I hope you will oppose any attempts to add this as an amendment to H.R. 3398.

With kindest regards,

Sincerely,

Al Pope

Albert E. Pope

AEP:jb
Enclosure

ECONOMIC EFFECTS OF S-2809 ON THE U.S. EGG INDUSTRY

The primary reason United Egg Producers opposes reducing the duty on egg yolk is that we cannot support giving a Canadian egg processor yet another economic advantage over U.S. egg processors.

THE CURRENT DUTY IS FAIR; CANADA IS STILL COMPETITIVE AT THIS LEVEL. The current duty of .27 per pound is fair and was set to reflect the estimated value of drying eggs and is independent of where the eggs come from originally. Even with this duty, Canada last year exported to the U.S. 300,000 pounds of whole egg or yolk powder at a competitive price, displacing 30,000 cases of eggs that would have been broken here in the U.S.

THE CANADIAN FIRM ALREADY HAS SUBSTANTIAL ECONOMIC ADVANTAGES. The Canadian firm which extracts lysozyme from egg white already has substantial economic advantages over U.S. firms in the egg products market worldwide. First of all, they are able to remove lysozyme from egg whites and sell it to pharmaceutical companies without having to label the egg white powder as having lysozyme removed. The value of the lysozyme amounts to as much as .67 per pound of dried white. The Canadian processor can theoretically reduce his price to that extent, giving him a substantial economic advantage on world markets to the detriment of U.S. processors.

According to USDA information (Publication EM 546 Schedule B) in calendar year 1983 the U.S. exported 6,961,466 pounds of dried egg whites. Of that amount, 5,719,987 pounds went to Japan. The value of the Japanese business alone was $7,947,414. The total value of egg white sales abroad was $9,868,823. THE POTENTIAL AMOUNT OF ALBUMEN THAT THE CANADIAN PROCESSOR WILL BE SELLING AT A REDUCED PRICE BECAUSE OF THE VALUE OF THE LYSOZYME EXTRACTED IS 1,114,285 POUNDS, MOSTLY TO JAPAN. Without a reduction in the duty on yolk returning to the U.S., this processor has a strong cost advantage in his operation. We object to any measure that would give him an additional cost advantage.

Secondly, the Canadian government has, in effect, subsidized the expansion of the firm which is seeking this duty reduction. The lowered duty will amount to a U.S. subsidy for Canada's egg products industry and allow them to get far ahead of the U.S. in the lysozyme extraction technology. Lysozyme extraction is not yet an allowed process in the U.S. under the same labeling requirements as Canada. However, U.S. processors are working on federal regulations and hope to compete equally in the future. This bill would set back this progress substantially.

WE OPPOSE GIVING THE CANADIAN PROCESSOR YET ANOTHER ECONOMIC ADVANTAGE! The duty reduction on the yolk powder returning to the U.S. will give an additional unfair advantage to Canadian processors to compete in our domestic egg products market. In effect, U.S. processors will be hit with a double economic disadvantage, both at home and in markets overseas.

The current contract between CanDo Egg Company (U.S.) and Export Packers Co., Ltd. (Canada), calls for 10 loads of shell eggs per week or 7,500 cases/week. One case would yield 10 to 12 pounds of liquid yolk or more than 75,000 pounds. Dried, it would yield up to 4,000 pounds per week. OVER A YEAR'S TIME, 1.7 - 2.0 MILLION POUNDS OF DRIED YOLK WOULD BE RETURNING TO THE U.S. DOMESTIC MARKET . . . APPROXIMATELY 15 PERCENT OF U.S. PRODUCTION! (Oct. 1, 1982 - Sept. 30, 1983 U.S. dried yolk production was 12,379,000 pounds.) Because it would be priced less than U.S. product due to the numerous advantages already in place as well as the proposed duty reduction, it would displace U.S. processor sales. In addition, processors would lose the market for over 4 million pounds of liquid white sold to Canada last year to meet their processors' needs.

WHY ARE EGG PRODUCERS OPPOSED?

IT WILL DEPRESS THE MARKET. You may ask why should an egg producer co-op, United Egg Producers, be concerned about whether or not an egg processor is hurt by this bill. If this duty reduction allows the Canadian firm to displace the dried yolk sales domestically in addition to the competitive advantage they already have in world markets for dried egg white, fewer eggs will be broken in the U.S. Fewer eggs will be purchased from U.S. producers for breaking, therefore, depressing the market for breaking stock. This price is the floor or the basis of our table egg market, therefore, the table egg price will be depressed. If this measure passes, it will most certainly hurt the U.S. egg processors and therefore will hurt all egg producers. This downward price effect is much stronger than any weak enhancing effect the removal of shell eggs would have on our market.

WE SHOULD UTILIZE DOMESTIC BREAKERS AND KEEP JOBS HERE. There is a great deal of unused egg breaking and drying capacity in the U.S. It is to the egg industry's and the United States' advantage to break the eggs here and supply the whites to Canada for their needs because of the jobs retained and the economic benefits to the areas where breakers/dryers are located.

IT WON'T BENEFIT U.S. EGG PRODUCERS AS A WHOLE. We cannot accept the argument that this measure will help the U.S. egg producer by increasing egg sales to Canada and strengthening the egg prices here. The only contract for shell eggs in between CanDo Egg Company and Export Packers Co. Ltd. No one outside of this company benefits from eggs sold to Canada. It does not remove surplus eggs from our domestic market; therefore, does not strengthen the price nationwide.

IT WILL NOT "OPEN UP" THE CANADIAN MARKET. The proponent of this bill argues that it will open up the Canadian market to U.S. producers for the first time, thereby benefitting all producers in the long run. We disagree. Although the Canadian government reportedly has agreed to increase supplemental permits to import U.S. shell eggs for this purpose, we have not seen this promise substantiated. In any case that would hardly be "opening up" the Canadian market. The Canadian egg industry is a closed marketing and controlled production system. Producers are guaranteed a price through the egg marketing board, which purchases surplus and exports much of it to the U.S. breaker market, depressing our prices. This usually occurs at a time of year when we are also in surplus. We are allowed to export some eggs to Canada only under controlled conditions and at times when they are in short supply and we are also in short supply. This will not change. A duty reduction for dried egg yolk from U.S.-produced eggs isn't necessary for Canada to grant supplemental permits for any purpose and will not "open" the market. Conversely, we will not be "closing" any market by keeping the duty at .27/#.

The proponent of this bill also asserts that other processors in Canada will eventually utilize U.S. eggs in the same manner if the duty is reduced. We find this hard to accept. If the need for eggs exceeds Canada's capacity to produce, that need will be filled either through egg white purchased from U.S. breakers or shell eggs. A duty reduction isn't necessary.

CANADA IS IN SURPLUS FOR EGGS . . . WHY NOT UTILIZE THAT SURPLUS? In 1983, Canada exported nearly 2 million cases of eggs to the U.S. which was subsidized by producer assessments to the tune of $18.48/case . . . or $13 million last year. They are in a surplus situation, and whenever they're in surplus, the U.S. breaker market receives their product . . . depressing prices in the U.S. We would much rather see the Canadian processor utilize their own surplus for their lysozyme needs so Canada won't have to dump their egg surplus in the U.S. For what reason would they want to buy product from the U.S. if the Canadians have 2 million cases of eggs in surplus? The only conceivable reason is that it is a less expensive product. Of course, we have no objection to any Canadian firm purchasing either shell eggs or egg white from the U.S. if their needs aren't met by their domestic supply. We only oppose giving them an additional economic advantage by reducing the duty on egg yolk returning to the U.S.

COMMENTS
ON
S. 2827

SUBMITTED BY
JOHN HAWKE
DOW CORNING CORPORATION
MIDLAND, MICHIGAN

July 19, 1984

COMMENTS ON S. 2827

Over the last few years, U.S. producers of silicones have been subject to increasing competition from foreign producers in the U.S. market. Very recently these foreign producers have been making impressive gains in market share and the rate at which those gains are being made is accelerating.

The foreign producers owe their good fortune, in part, to the fact that the Tariff Schedules of the United State (TSUS) make it possible for silicones from abroad to be treated in a more generous fashion than U.S. produced silicones are treated when they arrive at the shores of our principal trading partners. Although silicones as a class of materials were intended to be included in the 445.56 classification, due to an error in the definition silicones cannot be classified as "silicones" because the headnote to this classification eliminates all materials unless they are "solid in the finished article". Since most silicones are not solid in final form, U.S. Customs has estimated that 90% of the silicones brought into the United States are misclassified. Surely it was not the intent of the TSUS to provide our non-U.S. competitors with the 10-13% advantage in the marketplace that this misclassification allows. We think there is no economic justification for any differential. Furthermore, the TSUS treatment of silicone products is currently confusing with various forms of silicone falling under different classifications with different tariff rates. The majority of our trading partners use tariff systems that have one classification for all forms of silicone and a single high tariff rate.

Initially, attempts were made with the U.S. Customs Service to rationalize the classification of silicones. These attempts were unsuccessful as the Customs Service has no authority to revise classifications. But rationalization is definitely needed. International Trade Commission (ITC) data shows that a large portion of the silicones currently being imported is misclassified. For example, 95% of the silicones classified as organosilicon compounds and therefore brought in at a duty rate of 4.2% should more properly have been classified as silicones and brought in at a duty rate of 8.6% plus 1.1¢ per pound. Both the Customs Service and the ITC have suggested that the legislative route should be used to eliminate the ambiguity in the current treatment of silicones.

S. 2827 incorporates the following changes:

(1) The modification of Schedule 4, Part 4 of the TSUS to create an item that specifically identifies silicone resins and materials.

(2) A headnote change for this Schedule to assure inclusion (by elimination of a requirement that materials are "sold in the finished article") of all forms of silicone products in this new comprehensive category.

(3) A modification to the synthetic rubber classification to eliminate the silicone reference under 446.15 with 1.1% ad valorem and inserting a silicone reference under 446.16 with 1.1¢ per pound plus 8.6% ad valorem.

These changes will allow clear identification and one tariff schedule for all forms of silicone within the classifications.

Much of the disadvantage to U.S. silicone producers will be eliminated. The inequity of a foreign producer bringing a silicone elastomer, for example, into the U.S. at a 1.1% rate by calling it synthetic rubber while a U.S. producer would be paying 10% to take the same product into a foreign country will be removed. The changes will also facilitate U.S. Customs Service classification of silicone products and allow the generation of import statistics that will be more consistent with U.S. export statistics and trade statistics of other countries.

The continuing viability of the U.S. silicone industry is of critical importance not only because of the jobs it generates, but also because the silicone industry is the supplier of many high technology products having important military and aerospace applications. The U.S. silicone industry needs to be assured of equal and fair treatment in the worldwide silicone markets. These changes will bring the U.S. in line with other trading countries and remove a major disadvantage to U.S. industry.

7/19/84

ADDITIONAL COMMENTS ON H.R. 5422 AND S. 2827

Upon further analysis of H.R. 5422 and S. 2827 we note that the bills as drafted may pose a possible international compensation problem. We would not want this to interfere with our ultimate objective of achieving the proper tariff classification of silicones. We think that such a compensation problem could be avoided by use of a trade-weighted average duty rate, based on the three most recent years, of all silicone imports.

The U.S. silicone industry is ready to work with the U.S. International Trade Commission and any other appropriate administrative agencies on the development of this data and to review the appropriate classifications to be included in the trade-weighted average.

July 20, 1984

FREEMAN, WASSERMAN & SCHNEIDER
ATTORNEYS AND COUNSELLORS AT LAW
90 JOHN STREET
NEW YORK, NEW YORK 10038
(212) 619-1770
CABLE: TRADEJURIS NEW YORK
TELEX: 125902
TELECOPIER (212) 227-6734

MELVYN FREEMAN
JACK GUMPERT WASSERMAN
LOUIS SCHNEIDER
BERNARD J. BABB
JAMES M. BRACHMAN
DAVID M. COHEN
RICHARD E. GRIMM
PHILIP Y. SIMONS

EUROPEAN OFFICE
RUE DU TACITURNE, 42
1040 BRUSSELS, BELGIUM
TELEPHONE 02-230-6608
TELEX (846) 61975

July 18, 1984

BY HAND

United States Senate
Committee on Finance
Subcommittee on International Trade
Dirksen Senate Office Building
Room SD-219
Washington, D.C. 20510

Attention: Roderick A. DeArment, Esquire

Subject: S. 2827: Tariff Classification of
Silicone Resins and Materials

Dear Mr. DeArment:

This letter is submitted on behalf of our client, General Electric Company, Silicone Products Division, Waterford, New York 12188, a major United States producer of silicone resins and products. General Electric supports S. 2827, legislation that would unify the rate of duty applicable to silicone products.

Silicone polymers are provided for in the Tariff Schedules under item 445.56, TSUS, as "Synthetic plastics materials *** Other" and are assessed with duty at the rate of 1.1¢ per pound plus 8.6% ad valorem. Further, silicone polymers are specifically defined in Headnote 2 of Subpart A of Part 4, Schedule 4 of the Tariff Schedules as a synthetic plastics material.

General Electric believes that all silicones are polymers which are properly provided for under Tariff Schedules item 445.56. However, it is General Electric's understanding that the Customs Service considers certain silicone polymers which are elastomeric to be properly provided for under item 446.15, TSUS, as "synthetic rubber" if the "stretch and return" test set forth in Headnote 2(a)(ii) of Subpart B of Part 4, Schedule 4 of the Tariff Schedules is satisfied. Silicone polymers classified under item 446.15, TSUS, are assessed with duty at the rate of 1.1% ad valorem.

General Electric understands that a significant amount, if not most, of the imported silicone elastomers are used as a caulking material in the United States. Caulking compounds other than chalk whiting putty are classified under Tariff Schedules item 474.62 and are assessed with duty at the rate of 4.2% ad valorem. (There have been essentially no importations of caulking material classified under this Tariff Schedules item. In fact, from 1981 to 1983 imports classified under Tariff Schedules item 474.62 were less than 1% of those provided for under statistical provisions 446.1533 and 446.1580, the "silicone" rubber provisions). The rate applicable to caulking compounds is significantly greater than the rate of 1.1% ad valorem that the Customs Service has been assessing imported "silicone elastomers."

General Electric believes that the Customs Service's classification of silicone elastomers is contrary to the legislation history of item 446.15, TSUS, and applicable Customs jurisprudence. General Electric's views are set forth in detail in memoranda submitted to the International Trade Commission (the "Commission") and the Office of the United States Trade Representative in connection with the conversation of the Tariff Schedules of the United States Annotated to the Nomenclature Structure of the Harmonized System.* (Copies of these submissions are attached for your convenience.)

Due to concern about the Customs treatment and the inability of the domestic industry to obtain an accurate picture of silicone elastomeric polymer imports, a major United States producer requested, in 1980, that the Commission insert into the Tariff Schedules a specific provision for elastomeric silicone polymers, at the rate of duty applicable to silicone plastics materials. However, as limited by its legal authority, the Commission could only promulgate statistical provisions subordinate to the legal (duty rate) provisions. The statistical provisions promulgated were items 446.1533 and 446.1580, TSUSA, and the rate of duty applicable is that applied to synthetic rubber.*

---

* Under the Brussels Tariff Nomenclature ("BTN"), all silicones are provided for under a single item, Heading 39.01(c)VI.

The concern of the domestic silicone industry about increased imports was not illusionary. The following table reflects the significant increase in importations of the silicones, especially silicone "synthetic rubber".

	Silicone Synthetic Plastics Materials		Silicone Synthetic Rubber	
	Quantity (lbs)	Value	Quantity (lbs.)	Value
1981	349,000	$1,028,593	1,733,000	$3,414,561
1982	702,000	$1,149,527	2,959,000	$3,969,590
1983	1,607,000	$3,083,240	6,035,000	$7,076,460

From 1981 to 1983, silicones classified under Tariff Schedule item 446.15 increased almost 250% in term of quantity and over 100% in terms of value. Of most importance is the fact that over seventy-five percent of all silicones imported into the United States were assessed with the low rate of duty of 1.1% ad valorem. United States producers are placed at a significant trade disadvantage relative to their international competitors, especially companies located in the European community. All silicone polymers imported into the European community are assessed with a rate of duty of 11.9% ad valorem.

General Electric supports S. 2827. This legislation will unify the rate of duty applicable to silicones. Further, the United States tariff treatment of silicones would parallel the uniform treatment of such material by its European trading partners without disturbing a long standing Customs Service classification practice.

---

* For statistical purposes, silicone plastics materials are provided for under item 445.5660.

Respectfully submitted,

FREEMAN, WASSERMAN & SCHNEIDER
90 John Street
New York, New York 10038
Counsel for General Electric Company,
Silicone Products Division

Of Counsel:
Louis Schneider
Philip Yale Simons

Mobay

Mobay
Chemical Corporation

Penn Lincoln Parkway West
Pittsburgh, PA 15205
Telephone: 412/777-2000

August 7, 1984

Chief Council
Senate Finance Committee
Dirksen Senate Office Building
Room SD219
Washington, DC 20510
Attn: Roderick A. DeArment

Subject: Miscellaneous Tariff Bill S-2827

Dear Mr. DeArment:

Following is a position statement submitted on behalf of Mobay Chemical Corporation pertaining to Senate Bill S-2827.

We take issue with this bill as it essentially proposes a single duty rate (1.1¢/lb. + 8.6%) for Silicone Products in all forms. This change to the Tariff Schedule of the United States (TSUS) would impact millions of pounds of imported products and would benefit only the special interest group behind the initiating of the bill. Mobay Chemical Corporation is one of the largest importers of Silicone Products in the United States. Passage of this bill would create a significant negative impact on our business.

Under the TSUS as it is today, reflecting historical Customs Service administrative practice, Silicone Products are classified under four (4) different tariff numbers. Each number carries a certain duty rate. Silicone

Writer's Direct Dial Number

Resins are classified under TSUS 445.5660 at 1.1¢/lb. + 8.6% as Synthetic Plastic Materials: Other: Thermosetting Resins, Silicone Resins. Silicone Elastomers (Rubbers) are classified under TSUS 446.1533 and TSUS 446.1580 at 1.1% as Synthetic Rubber, Silicone. Silicone Fluids are classified under TSUS 429.9530 at 4.2% as Other Organic Compounds: Organo Silicone Compounds. Silicone Sealants are classified under TSUS 474.6200 also at 4.2% as Putty and Similar Caulking or Glazing Products: Other. We feel that the Customs Service has acted appropriately in the classification decisions. They recognize the obvious differences between the various types of Silicone Products. These separate classifications and duty rates should be retained without change.

S-2827 proposed an amendment to Part 4 of Schedule 4 of the TSUS (19 U.S.C. 1202), Subpart A, Headnote 2. The amendment is basically proposed in Lines 6 through 9 of the bill which are restated below:

> "(ii) includes silicones in all forms (including fluids, resins, elastomers, sealants, adhesives, and copolymers) whether or not such materials are solid in the finished articles."

This amendment would create one duty rate for all forms of Silicones and should be rejected. This rejection would eliminate the need for insertion of TSUS 445.55 as proposed in the bill. The current number TSUS 445.5690 reads as Silicone Resins and covers classification of the resins. It would also assure Silicone Products currently classified under TSUS 429.9530 and 474.6200 would remain unchanged, classification and duty rate wise.

The proposal that TSUS 446.15 be eliminated and replaced by TSUS 446.16 (Silicone) at 1.1¢/lb. + 8.6% and TSUS 446.18 (Other) at 1.1% should also be rejected. TSUS 446.15 is the classification for Synthetic Rubber and under this classification are listed in excess of 10 different types of Synthetic Rubber Products, one of which is Silicone. As long as the Silicone Products meet the requirements to be classified a rubber as listed in the Headnotes under Part 4 of Schedule 4, Subpart B they should be afforded the same duty rate given to other Synthetic Rubber Products listed under TSUS 446.15 which is 1.1% in 1984 and duty free by 1987.

We would like to introduce additional information to support our opposition to this bill. This information we feel you will find most interesting and informative is attached. It is a submission by Mobay Chemical Corporation to the Office of the United States Trade Representative Trade Policy Staff Committee on the Conversion of the Tariff Schedules of the United States (USTR) annotated into the Nomenclature Structure of the Harmonized System. The submission deals with the same subject of a single classification and duty rate for Silicone Products only it does not involve todays Tariff Schedule. It involves instead the Harmonized System of classification, scheduled for implementation by the United States in 1987 if legislation is passed to allow its replacement of the TSUS.

In the event you are unfamiliar with the Harmonized System it is a conversion performed by the International Trade Commission and submitted to the President in report form in the summer of 1983. We realize Bill S-2827 deals with todays tariff system but feel the arguments presented in our brief to the USTR are appropriate and support our arguments for rejection of this bill. Also provided in the submission are chemical examples supporting the need for different classifications and duty rates on the various Silicone Products.

In summary, we would like to state that without question this bill should be rejected. Its presence in any Omnibus Bill would surely jeopardize passage of that bill because of the opposition it would face in both the House and Senate. Should you require specific or additional information please feel free to contact the undersigned.

Thank you for the opportunity to submit these comments.

Steven L. Sarniak
Steven L. Sarniak
Import Supervisor

SLS:smk
cc: D. J. Oehl

BEFORE THE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
TRADE POLICY STAFF COMMITTEE

In the Matter of the

CONVERSION OF THE TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED INTO THE NOMENCLATURE STRUCTURE OF THE HARMONIZED SYSTEM

CHAPTER 39

PLASTICS AND ARTICLES THEREOF

Headings 3910.00.10, 3910.00.20, and 3910.00.50

SHAW and STEDINA
350 Madison Avenue
New York, N.Y. 10017
(212) 682-2233

Attorneys for
MOBAY CHEMICAL CORPORATION

February 29, 1984

COPY

BEFORE THE OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
TRADE POLICY STAFF COMMITTEE

We submit these remarks on behalf of Mobay Chemical Corporation, Pittsburgh, Pennsylvania (hereinafter Mobay), in response to certain presentations of General Electric Company, Silicone Division, and Dow Corning Corporation, filed in November, 1983. Those presentations urged the TPSC to consolidate in a single provision, and to provide therein for classification of all "silicones in primary form" (whether rubber, fluids, or resins), under Harmonized System Heading 3910.00.00 with duty at 2.2¢/kg. plus 7.7%,[1] rather than to affirm the International Trade Commission's proposed conversions for those products in its June 30, 1983 report to the President. The ITC conversions retained the separate classifications and duty-rates provided in the TSUS for those articles,[2] i.e., rubbers as elastomers in HS 3910.00.10, free; fluids as dimethylsiloxane fluids in HS 3910.00.20, at 3.7%; and resins as other than dimethylsiloxane fluids and elastomeric silicones in primary form, other, in HS 3910.00.50, at 2.2¢/kg. plus 7.7%.

---

[1] References to duty-rates herein correspond to 1987 staged rates.

[2] Rubbers are presently classified under the TSUS in item 466.15 as "synthetic rubber"; fluids in TSUS item 429.95 as "other organic compounds"; and resins in TSUS 445.56 as "other synthetic plastics materials."

We strongly oppose the special interest efforts of General Electric Company and Dow Corning Corporation, represented by their November, 1983 submissions, to subtly legislate changes to the present TSUS classifications and duty-rates for silicone rubbers and fluids. Those efforts conflict with Presidential guidelines for this investigation and, as well, are inconsistent with Congressional intention and long standing administrative classification practice to provide separately for those distinct and separate articles of trade. The June 30, 1983 ITC report to the President recognized the distinctions and preserved the historical integrity of the TSUS as it has been administered by the Customs Service. That integrity ought not be perverted here.

Presidential Guidelines

The guidelines under which the ITC was directed to conduct its investigation and to issue its report are clear:

> In converting the tariff schedules the Commission should avoid, to the extent practicable and consistent with sound nomenclature principles, changes in rates of duty on individual products. However, the U.S. tariff structure should be simplified to the extent possible without rate changes significant for U.S. industry, workers, or trade.

Despite assurances from the domestic producer interests that adoption of their proposed single classification and duty-rate for all silicones would "avoid any significant rate change on imported merchandise," their projected, 2.2¢/kg. plus 7.7% rate would represent an indeterminate increase on rubbers, which would otherwise be free, and more than a 100% increase on fluids, up from 3.7%. Of course, the impact on Mobay would be substantial as rubbers comprise the largest volume of silicones imported, fluids are next, and resins are the least.

Futhermore, to suggest that a single classification and duty-rate for all silicones "would simplify the United States tariff structure," as an appropriate justification for its adoption, is a gross oversimplification. Under that same theory, why not convert all of Schedule 4 into a single category--"Chemicals and Related Products" at a single rate? That would really simplify the U.S. tariff structure--not to mention the administrative burdens that would be alleviated for the Customs Service. The charge, therefore, that unless the TPSC modify the HS subdivisions into a single heading, the ITC's conversion would needlessly complicate the tariff structure, create administrative burdens, and threaten harm to the U.S. indiustry workers, and trade, is a hollow one. The ITC conversion presents no new complications to the tariff structure, no new administrative burdens. All that the ITC conversion does is assign new headings to current TSUS items. Classification of articles included in each remains the same as under the TSUS. So do their duty-rates.

The caution in the Presidential gruidelines that simplification of the tariff structure should be done without rate changes significant for U.S. industry, workers, or trade is also misused by the domestic producer interests as support for their position. Actually, it should be read as a caution to the ITC not to lower duty-rates on imports in the interest of simplification when such a lowering of rates would adversely impact U.S. industry, workers, or trade. If definately does not justify increasing duty-rates in conversion to the Harmonized System under the guise that such action would not cause harm to domestic producer interests. Under that logic, to prohibit such imports altogether would cause even less harm to those same special interest proponents.

Rubbers

The "Common Customs Tariff" is not the law of the United States. Therefore, reference to it by the domestic producer interests to support their position of incorrect classification under the TSUS is not valid. There is no requirement in the TSUS that silicones, in order to be classified as "synthetic rubber," be "cross-linked by vulcanization with sulfer." In fact, TSUS Schedule 4, Part 4B, Headnote 2(a) specifically provides that the term "rubber" includes "a substance, whether natural or synthetic...that

(i) can be vulcanized or otherwise cross-linked, and

> (ii) after cross-linking can be stretched at 68°F. to at least three times its original length and that, after having been stretched to twice its original length and the stress removed, returns within 5 minutes to less than 150 percent of its original length.

Thus, silicone rubbers that may be cross-linked using methods other than "vulcanization with sulfer" and meet the extensibility test are required to be classified under the TSUS in item 446.15 as synthetic rubber. That is the legislative prescription for classification of this merchandise. The Customs Service's long-standing administrative practice of classifying silicone rubbers under that provision reinforces its presumption of correctness.

Silicone rubber is nothing more than synthetic rubber that is vulcanized, cross-linked, or cured, by chemical means. If it, as well, meets the Schedule 4, Part 4B, Headnote test for extensibility, it must be classified as such under the Tariff Schedules. The adoption of Statistical Annotation 446.15(33) in 1981 did not expand, as is suggested, the scope of the legal test for that classification. It merely broke out a statistical subclassification, for reporting purposes only, that recognized the Customs Service administrative practice to classify these articles as synthetic rubbers within item 446.15. If that result was not the result intended by Congress in providing for silicone rubbers, why did it not rewrite the TSUS Headnotes to plastics provisions. The current harmonization exercise must not, therefore, now be used to thwart that historical Congressional purpose.

What the domestic producer interests seek to do here is to set up the "Common Customs Tariff," classification and duty-rate wise, as authority for what the U.S. tariff structure, in their mind, ought to be. Unfortunately for them, that argument is not a valid one. How other countries classify their imports, and the rates they assign to them, are all immaterial for our purposes here. The TSUS, as administered by the United States Customs Service, is the law of the land and it will remain so until it is changed by Congress.

Fluids

Similarly, silicone fluids have been routinely classified by Customs in TSUS item 429.95 as "other organic compounds" (legal language), statistical subclassification 30, "organo-silicon compounds" (not legal language). The silicone fluids are, without question, organic compounds. We agree, however, that the practice of classifying them, for statistical reporting purposes, as "organo-silicon compounds" is questionable. They would, perhaps, be more correctly classified under statistical subclassification 90 as organic chemical compounds "other" than those named. We submit, though, that the point is unimportant from a conversion standpoint. The statistical subclassifications, and their modifying language, are merely for reporting purposes. The proposed conversion for these organic silicone fluid compounds as dimethylsiloxane fluids simply reflects their present Customs treatment as "other organic compounds" under the TSUS, not whether or not they are, actually, "organo-silicon compounds." The new provision for dimethylsiloxane fluids, then, corrects what may be an oversight in the statistical portion of the TSUS, but it in no circumstance changes the legal classification or reduces the duty on the imported product. The proposed 1987 staged rate of 3.7% is the same. In fact, some of tbe silicone fluids, now classified in item 429.95, which are not dimethylsiloxanes, will be reclassified into the basket category of HS 3910.00.50 and the duty thereon increased by more than 100%.

Resins

Silicone resins, now classified in TSUS 445.56 as "synthetic plastics materials, other," statistical subclassification 90, "silicone resins," would fall into HS 3910.00.50, the provision for silicones in primary forms, other than elastomeric, and other than dimethylsiloxane fluids. The 1987 staged rate, 2.2¢/kg. plus 7.7%, carries forward the present rate under which these silicone resins are now classified.

Physical Differences

Apart from the above specifics, the domestic producer interests suggest, again simplistically, that all silicones are similar chemically and, therefore, should be classified in a single tariff number at a single duty-rate (naturally, the highest for the group).

Here, the distinct differences in the molecular composition of the different primary forms determines which is a rubber, a fluid, or a resin. There are differences in the amount of the cross-linking. The Chemical Economics Handbook, put out by the Stamford Research Institute, lists uses of the various basic primary forms of silicones. Rubbers or elastomers are used in aircraft and missile, electronic, electrical, appliances, automotive, and government uses. Silicone fluids are used in waxes and polishes, urethane foams, greases, emulsions, and household and consumer applications. Silicone resins are for electrical purposes, paint, water-repellant and grease coating applications. A copy of the relevant pages from the CEH publication, explaining the various applications, is enclosed. What we suggest by this is that the commercial application for the various types of silicones are fairly well-defined and segmented as to end markets. Congress has recognized the differences which exist between the various types of silicones, both chemically and commercially, by providing for their separate classification. That difference was refined and carried through by the ITC's proposed Harmonized scheme.

Conclusion

We return to the President's direction to the ITC in conducting its harmonization exercise. Avoid tariff rate changes on individual products to the extent practicable, and simplify the tariff where possible without rate changes significant for U.S. industry, workers, or trade. The June 30, 1983 ITC report covering silicone products follows that direction precisely, contrary to the domestic producer interest's incredible claim that the duty on silicone rubbers and fluids therein is actually reduced. The staged rates for all silicones in primary form remain exactly the same as under the TSUS. Rubber silicones would be free; most fluid silicones would be 3.7%; silicone resins would remain at 2.2¢/kg. plus 7.7%.

On the other hand, acceptance of the General Electric and Dow Chemical proposal would have the following results contrary to legislative purpose as prescribed in the Tariff Schedules of the United States, contrary to Custom Service application and administration of that law, and contrary to the Presidential direction for harmonization:

1. Silicone elastomers or synthetic rubbers, would be

reclassified, in effect, as "other synthetic plastics" under the Harmonized System, rather than as "For purposes of the tariff schedules," "synthetic rubbers" under the TSUS;

2. The staged duty-rate on silicone rubbers would be increased from "free" to "2.2¢/kg. plus 7.7%";

3. Silicone fluids would be reclassified, in effect, as "other synthetic plastics" under the Harmonized System, rather than as "other organic compounds" under the TSUS;

4. The staged duty-rate on silicone fluids would be increased from "3.7%" to "2.2¢/kg. plus 7.7%."

Those results, illogically, dramatically, and adverse to Congressional purpose and administrative practice, would increase duty-rates under the TSUS for silicone rubbers and fluids. In contrast, the ITC performed exactly the task requested of it. It harmonized the Tariff Schedules of the United States, classification and duty-rate wise, into the nomenclature structure of the Harmonized System. That effort should not now be undone in the name of special interest legislation no matter how subtly couched. If the domestic producer interests are dissatisfied with the duly promulgated classifications and rates for silicones in whatever form, there are legal means available for them to pursue to achieve that purpose. They should not, however, be permitted to circumvent that procedure and use this administrative forum to accomplish indirectly what they have been unable, or unwilling, to accomplish through legitimate legislative means.

For those reasons, we urge the Trade Policy Staff Committee, Office of the United States Trade Representatives, to recommend that the ITC's June 30, 1983 proposed conversions for separate classifications for silicone rubbers, fluids, and resins in HS headings 3910.00.10, "free"; 3910.00.20 at "3.7%"; and 3910.00.50 at"2.2¢/kg. plus 7.7%," respectively, be affirmed.

Respectfully submitted,

SHAW and STEDINA
350 Madison Avenue
New York, N.Y. 10017

It is unclear how much of the reported production of silicone resins is made up of silicones and how much is made up of other materials. Possibly some producers report only silicone content while others report on a gross weight basis. This makes it difficult to estimate the consumption of silicones for resins since silicone-alkyd resins, for example, may contain as little as 15% silicones.

In regard to silicone elastomers, it is not known exactly how much room temperature vulcanized (RTV) silicone rubber is included. The latter are supplied as fluids and pastes for use as adhesives, sealants, and mold-making materials and are generally considered as a separate category by the trade. It was estimated that RTV silicone rubber output amounted to slightly under two million pounds in 1964 (OPD, April 19, 1965).

There may also be some duplicate reporting of basic resins and elastomers at different stages.

CONSUMPTION

It is estimated that 45% of total silicone production goes into silicone fluids, 30% into elastomers, and 10% into resins. A large part of the remainder is probably made up of silane coupling agents. These CEH estimates are very approximate, mainly for the reasons stated under PRODUCTION.

The following discussion includes:

1. Silicone fluids
2. Silicone resins
3. Silicone elastomers
4. Fluorosilicones
5. Silane coupling agents
6. Nitrile silicones
7. Polycarboranesiloxanes

1. [redacted]

As previously noted, the dimethyl and the phenyl methyl fluids are the most important. Both fluids have such a variety of uses that only major applications illustrative of certain characteristics of silicones are mentioned here. Many applications depend upon the excellent water repellency of silicones. These include use in waxes and polishes, the water and stain proofing of fabrics, paper and masonry, coating electrical equipment where surface resistivity is critical, corrosion inhibitors, preventing the caking of powders, and as release agents.

Silicones are poor solvents, and the only solids that dissolve in them are nonionic, and they dissolve only slightly, near their melting points.

a. Waxes and Polishes

Most furniture, car, and glass waxes and polishes now contain silicones. The reasons are well stated in an article, part of which is quoted below.

> "The properties of silicones which make them useful in polish formulations are incompatibility, lubricity, low surface tension, water repellency, temperature and oxidation resistance, minimum change of viscosity with temperature variations, blandness, lack of odor and inertness.
>
> "Silicone fluids are incompatible with many organic materials. For this reason, they do not soften the wax on polish formulations.
>
> "Because of its lubricity, the silicone functions as a lubricant for the wax crystals. And, since silicone fluids have a low surface tension, they readily flow-out to a smooth surface and impart a glossy finish.
>
> "Silicone fluids are stable at extremes of heat and cold and are not readily oxidized. Therefore, silicone films tend to be highly resistant to weathering.
>
> "Silicones do not create any special polish formulation problems. For example, since silicones are odorless, they do not interfere with perfuming of furniture polishes. And the chemically inert silicones maintain their properties when compounded into polishes."

Source: Meyer, K. L., "Why Silicones Are Used in Waxes and Polishes," Detergent Age, October 1966, p. 56.

The silicone oil content in most polishes varies from 2-5%. Pastes usually have a higher silicone and wax content than polishes.

b. Cosmetics

The physiological inertness, combined with unique surface-active and lubricative properties, of silicone fluids has led to their use in a wide variety of cosmetics.

These properties, as quoted from a recent article, are:

> "Very low surface tension, which improves the spreading of cosmetic preparations.
>
> "No problems of toxicity or skin irritation.
>
> "Colorless, odorless and tasteless.
>
> "Non-volatile.
>
> "Chemically inert and therefore do not react with the usual ingredients in cosmetic preparations.
>
> "Do not become rancid.
>
> "Do not thin out when warmed or thicken when cooled.
>
> "Do not dissolve in water and therefore do not wash off easily.

"Do not form a continuous, impervious film that would keep the skin from breathing.

"Do not leave a greasy or oily feel.

"Do not discolor.

"Do not support bacterial growth."

Source: Harris, M. J., and J. I. Evans, "Uses of Silicones in Polishes, Cosmetics and Household Specialities," Specialties (U.K.), April 1966, pp. 3-9.

Silicone fluids are used in hand creams and lotions, hair sprays, preshave lotions, after-shave lotions, shaving creams, suntan preparations, lipsticks, toothpastes, and deodorants.

c. Urethane Foams

An important market is in flexible and rigid polyurethane foams. Added to the urethane ingredients before foaming, they improve appearance, cell uniformity, and resilience of finished foams.

Total polyurethane foam output in 1965 is estimated to have been about 380 million pounds. Silicones are used mainly in polyether-based polyurethane foams, although smaller quantities are used in some of the polyester-based foams. These estimates are from the CEH Polyurethane Foams report (q.v.). Reportedly, about 0.75% silicone (based on the weight of the reactants) is employed in flexible foams and about 1.0% in rigid foams (industry estimates).

d. Silicone Greases

These greases are made by grinding fillers and other materials into silicone fluids and are employed where high temperatures would destroy petroleum or vegetable oil lubricants. They are frequently used in places where the lubricant comes into contact with solvents and corrosive chemicals.

e. Silicone Emulsions

Silicone fluid-based emulsions have been used in a large number of industries as antifoam agents and release agents. The siloxane content of the emulsions is usually about 50%. Remarkably small amounts are effective (0.0001 to 0.02% of the material to be defoamed). Their nontoxicity makes them most useful to the food industry.

Significant quantities of silicone emulsions are used as stain and water repellents by the textile industry, especially with wash and wear items. They impart a soft silky hand and are resistant to dry cleaning and, to a moderate extent, washing. However, they experience heavy competition from fluorochemicals and their present $3 million market is expected to continue its present decline.

f. Other

In household and other consumer applications, silicone fluids are used in aerosol starch, domestic oven treatment, textile and leather treatments, treatment for ignition systems, rubber lubricants, artificial snow, and ironing aids.

Industrially, their nonstick qualities have encouraged widespread use as release agents, for example, in molds for tires and other rubber goods, glass molding, and wire and cable slip agents. Their former use in coating bread baking pans is believed to have largely been displaced by the use of Teflon®-coated pans. Silicone fluids are used in lubricants and have also been used in hydraulic fluids, e.g., aircraft applications. None is currently used for this latter purpose, however.

2. Silicone Resins

Estimates of silicone resin use in 1962 and 1965 follow.

Consumption of Silicone Resins (Millions of Pounds)

	1962	1965
Electrical insulation		
Coating and bonding	2.50	3.75
Impregnating	1.00	1.50
Laminating	1.00	1.50
Paint	1.50	2.25
Water repellents	1.00	1.50
Release coatings	0.75	1.125
Molding	0.25	0.375
Total	8.00	12.00

Sources: (A) C&EN, June 17, 1963, p. 34 (1962 data).
(B) CEH estimates (1965 data). Calculated from 1962 data on basis of same market breakdown and using 1965 production estimates.

a. Electrical

Silicone resins are particularly valued for their high temperature resistance. This, coupled with their excellent dielectric properties, has encouraged their widespread use in electrical equipment where heat would break down other resins. The market for silicone resins in electrical applications reportedly has reached maturity and future growth is expected to be moderate, particularly in the face of competition from epoxy and polyphenylene oxide resins.

b. Paint, Water Repellents, and Release Coatings

Silicone resins are used in paints to improve heat resistance, durability, and gloss. To improve abrasion and solvent resistance, and to provide better adhesion, silicone resins are frequently copolymerized with other resins, usually alkyd resins.

A typical silicone-alkyd formulation would have a silicone content of from 20 to 30% of the resin solids in the paint. Silicone-containing paints, while superior to organic paints in gloss and durability, are expensive and apparently many home owners are not willing to pay the higher price. However, Montgomery Ward markets a 30% silicone alkyd paint for consumer use. It is estimated that more than 90% of silicone-alkyd paints are used industrially, primarily in equipment finishes. Largely because of their good exterior durability, silicone-alkyd paints provide competition to other alkyd, vinyl, acrylic, and, in some cases, fluorocarbon paints.

Epoxy-silicone plastics are used in protective coatings. Pipeline coatings could prove to be a particularly substantial market. The epoxy provides a coating which is tough and resists abrasion; silicones give one which is durable and which flows on smoothly.

Masonry water repellents were estimated to use about one million pounds of silicone resins in 1962.

Silicone resins have found many applications based upon their nonstick properties. Silicone resin-treated paper is used for covering pressure adhesive surfaces such as "contact paper," adhesive tapes, and photographic film, and for packaging sticky foodstuffs.

3. Silicone Elastomers

Silicone elastomers fall into two broad categories; those that require heat for vulcanization, and those that can be vulcanized at room temperatures, commonly called RTV types. Currently the heat vulcanized types (current production is probably about 12 million pounds) make up a $34 million market. The RTV types (current production is about 2 million pounds) represent a $13 million market (industry estimates).

Applications of both types are based mainly on their outstanding resistance to both high and low temperatures. When they do decompose at high temperatures, the silica residue remaining is itself an insulator so that to some extent silicone rubber insulation continues its function after a fire. For example, they are employed in aircraft and ships where they are used in electrical insulation and seals. Silicone rubber foam is available for applications calling for the above properties plus lightness and heat insulation. The aerospace industry is an important market for RTV silicone elastomers.

Silicone elastomers have excellent resistance to ozone oxidation, nonoxidizing acids, and mild bases. They swell moderately in contact with oil and fuel, but return to their normal state on removal of the swelling agent. Because silicone elastomers seldom contain materials such as plasticizers which may be leached out, they are often used in medical and food processing applications.

An estimate of the consumption of heat vulcanized silicone elastomers in 1965 follows.

SILICONES - CONTINUED

Market	Percentage
Aircraft and missile	39%
Electronics	18
Electrical	14
Appliances	12
Automotive	6
Government (direct)	6
Miscellaneous	5
Total	100%

Source: OPD, February 24, 1964, p. 5 (based on Dow Corning as original source).

This estimate does not include consumption of RTV (room temperature vulcanizing) silicone elastomers. These are used in potting and encapsulating electrical and electronic parts and in the fabrication of other rubber parts where superior endurance and extended life expectancy are required.

Much of the early growth of silicone elastomers resulted from use in aircraft, submarine, missile, space, and electronic applications. The aircraft market for silicone elastomers has decreased because the B-47 and B-52 have given way to faster, more effective planes, fewer of which are needed. Similarly, miniaturization reduced consumption in electronics applications in missiles and space use. Gains in consumer-type markets such as appliances (range door gaskets, for example) and automotive use appear to be more than compensating for reductions in these markets, however.

A mixture of silicone rubber and silica reinforcing material shows promise in the surfacing and repairing of airport runways and highway bridges. Although used only experimentally so far, it is said to be superior to currently used coatings such as epoxy, polyester, and urethane, because it does not become hard or brittle and it is waterproof. Another developmental use for silicone elastomers is as a high-quality roofing material. Although about twice as expensive as conventional asphalt materials, it is easier to apply and more durable.

The nonstick characteristics of silicone elastomers are employed in a large number of applications such as printing rolls and conveyor belts carrying sticky foodstuffs. They are also utilized in the manufacture of flexible molds in the plastics and metalworking industries.

An interesting application of silicone elastomers is in making synthetic membranes thin enough to function as artificial gills. Possible uses range all the way from space capsules to submarines, and include heart-lung machines and the industrial separation of gases (CE, November 23, 1964, pp. 94-96).

While the share of silicone resins output used captively (in the order of 10%) has remained about the same between 1959 and 1964, captive use of elastomers has tripled from 8% to 24% over the same period. This has been due partly to some basic producers increasing penetration of the industrial and home markets with consumer-type silicone elastomer products.

NORTHERN TEXTILE ASSOCIATION

211 Congress Street / Boston, Mass. 02110
(617) 542-8220

July 16, 1984

The Honorable Senator John C. Danforth
Chairman, International Trade Subcommittee
Senate Committee on Finance
SD - 219 Dirksen Senate Office Building
Washington, DC 20510

RE: S.2838

Dear Senator Danforth:

Enclosed is a written statement of the Northern Textile Association, together with six copies, in support of S.2838.

We respectfully request that this statement be included in the record of the International Trade Subcommittee's testimony on this legislation. Questions regarding this statement may be directed to Mr. Douglass C. Horstman, the Association's representative in Washington, who may be reached at 790-1611.

Thank you for the opportunity to submit this statement.

Sincerely,

Karl Spilhaus
President

KS:pi
Encl.

FOUNDED 1854 NTA

Statement in Support of S. 2838

Submitted to the
Subcommittee on International Trade
Committee on Finance
U. S. Senate
by the
Northern Textile Association
211 Congress Street
Boston, Massachusetts 02110

July 16, 1984

The Northern Textile Association represents textile manufacturers located principally in the Northeast but also in various other parts of the country. The Elastic Fabric Manufacturers Council of the Association consists of the principal manufacturers of narrow elastic fabrics in the United States.

Members of the Elastic Fabric Manufacturers Council strongly support S. 2838, a bill introduced by Senator John H. Chafee. This bill would temporarily suspend the existing Column I rate of duty on narrow fabric looms.

The machines covered by this legislation are used in the production of woven narrow fabrics which have a wide variety of end uses in apparel, medical, industrial and home furnishing products. This equipment is not available from domestic manufacturers and must be purchased from foreign manufacturers. Narrow fabric manufacturers therefore believe that there is no reason for the federal government to impose a duty on these particular machines, currently assessed at 5.6 % ad valorem.

As the economic recovery in the United States continues, narrow fabric manufacturers have begun to purchase large numbers of these machines from foreign sources in Switzerland, England, West Germany and Japan. Many companies regard these purchases as a vital part of their modernization programs and believe that this equipment will enable them to remain competitive in both domestic and international (export) markets.

We estimate that there are currently about 175 plants throughout the country which produce narrow fabrics. These facilities employ about 22,600 people with an estimated combined annual payroll in excess of $ 300 million. Many of these firms manufacture products for export as well as domestic comsumption, although the current high value of the dollar has temporarily dampened the export market.

We estimate that about 4,000 narrow fabric looms are currently in use in the United States. Approximately 1,336 of these looms were imported for purchase during the two-year period of 1982 - 83 (Table attached). This represented a value of $ 11 million. When narrow fabric manufacturers purchase these new foreign built machines, which sell for an average price of $ 12,000., but can go as high as $ 30,000. per unit, they are penalized by the duty which can amount to as much as $ 1,680 per machine. The penalty, of course, must be reflected in the ultimate price of the product in the marketplace. Conversely, if manufacturers do not purchase the machinery, their products will not benefit from the manufacturing flexibility offered by this new, high-technology equipment.

During the 1979 Multilateral Trade Negotiations, it was agreed that the U.S. duty on these machines would phase-down from 7 % ad valorem in 1979 to 4.7 % ad valorem by 1987. This clearly provides little relief at this time when manufacturers' purchases of these machines are increasing and there is no domestic alternative source of purchase.

Enactment of S. 2838 will be beneficial to American manufacturers as well as consumers. Suspension of the existing duty on these machines until July 1, 1987 will encourage narrow fabric firms to continue to replace outdated equipment. Purchasing the new equipment without the penalty of a tariff will assure that woven narrow fabric products will be more competitive at home and abroad.

Purchases of foreign-made machinery should also stimulate employment and exports. The U.S. narrow fabric industry had established an export market which will be stimulated when foreign exchange values are reduced. Narrow fabric products are in great demand by designers and manufacturers and domestic producers must be prepared to meet this demand. For these reasons, we respectfully urge the Committee on Finance to approve S. 2838.

March 7, 1984

Imports of TSUSA Item 670.14 *

(dollar figures are in 000's)

	January - December			
	1982		1983	
	#	$	#	$
Norway	---	---	1	32
UK	67	834	21	186
Netherlands	57	458	3	20
Belgium	8	216	24	169
France	15	470	5	108
West Germany	78	1,110	53	1,370
Switzerland	143	1,790	67	979
Italy	130	893	85	534
Japan	398	1,206	181	502
TOTAL	896	6,976	440	3,900

(*) Power-driven weaving machines of fabrics less than 12" wide.

NORTHERN TEXTILE ASSOCIATION

Statement

of the

American Fiber/Textile/Apparel Coalition

S. 2839

July 20, 1984

The American Fiber/Textile/Apparel Coalition (AFTAC) appreciates the opportunity to comment on S. 2839. AFTAC is a national coalition of labor and management organizations in the fiber, textile and apparel industries in the United States. Members of the coalition are located throughout the nation and produce the vast majority of fiber, textile and apparel items made in this country. The attached list identifies the 21 member organizations of AFTAC.

During the 1981-82 recession, U.S. textile and apparel employment declined about 10% -- 200,000 jobs. As a result of the current sharp increase in imports -- up 45% this year -- we do not expect to regain many of those jobs. Imports in 1983 were a record 7.4 billion square yards -- up 1.6 billion square yards from 1982. This 1.6 billion square yards represents the annual labor of 140,000 workers. S. 2839 is an important element closing a loophole which is permitting larger and larger quantities of apparel to enter the U.S. at lower than intended duty rates.

The language in S. 2839 is designed to correct a very serious problem we see emerging in the trade of apparel "sets". During the Tokyo Round, the method used to reduce tariff rates on apparel created lower duty rates on garments classified in sets than on the same garments classified individually. Since the beginning of the phase-in of apparel tariffs in 1982 the tariff rate on most sets is now lower than on most individual garments. As a result, imports of sets are currently increasing very fast.

In the first six months of 1983, imports of apparel in sets increased 41% to 16.6 million equivalent square yards. Since there is a very real incentive to shift to sets, the rapid rate of growth in imports of sets is not likely to change. Each year, as lower rates on sets are phased in, the incentive to shift into sets will accelerate.

The problem can only get worse as the volume of trade in apparel sets expands. Our concern with this volume is related to two problems that exploding trade in sets will generate. The first is the increased competitiveness of apparel imported at lower duty rates. At current rates, it is difficult to meet direct price competition of imported garments. Reduced tariffs increase the price gap and offsets productivity improvements made domestically. The other problem which, in our opinion is more serious, is related to the proposed conversion of the TSUS.

While the current problem of increased price competition is of concern now, the problems that are likely to occur when we shift to the Harmonized Code are even more important to us today. Few, if any, of the current apparel set classifications will remain as sets in the new Code. Almost all garment lines now entering in sets will become subject to tariff rates applicable to the individual garments when the Code is adopted. If the current classification of sets is not corrected now, the duty rate on garment sets in 1987 could be half of what the rates will be on individual garments. When the Code is adopted, our trading partners will request compensation for tariff increases which will result when apparel now imported in sets shifts to the higher duty individual tariff lines. This problem is clearly shown in the following example:

1. Before the 1982 phase-in of lower apparel tariffs, the tariff rate on a woman's non-ornamented woven cotton blouse and a woven cotton slack was the same, 16.5%.

2. In 1987 the rate on each of these items individually will be 16.5% (no reduction was made on these garments because of the high level of imports).

3. In 1987 the rate on a set containing a woven cotton blouse and pair of slacks will be 8.0%, slightly less than one-half of the tariff rate on these same garments if imported separately.

To the best of our knowledge, there was no intention on the part of our government to create lower rates of duties on apparel in sets than on individual garments that may be included in a set. This situation was created during the Multilateral Trade Negotiations because tariffs on some garments were reduced more than on other garments. S. 2839 can prevent these problems and thus avoid the problem of compensation which will almost certainly require long, protracted negotiations in an area where there was never any intention to significantly change the duty structure. Further, in discussing the sets problem with U.S. Customs Service officials we were informed that a legislative approach such as S. 2839 virtually would elminate the problems faced by Customs in classifying apparel sets.

MEMBERS OF AMERICAN FIBER/TEXTILE/APPAREL COALITION

Amalgamated Clothing & Textile Workers Union
American Apparel Manufacturers Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Carpet and Rug Institute
Clothing Manufacturers Association of America
Industrial Fabrics Association International
International Ladies Garment Workers Union
Knitted Textile Association
Luggage and Leather Goods Manufacturers of America
Man-Made Fiber Producers Association
National Association of Hosiery Manufacturers
National Associaton of Uniform Manufacturers
National Cotton Council
National Knitwear Manufacturers Association
National Knitwear & Sportswear Association
National Wool Growers Association
Neckwear Association of America
Northern Textile Association
Textile Distributors Association
Work Glove Manufacturers Association

Merrell Dow

MERRELL DOW PHARMACEUTICALS INC.
Subsidiary of The Dow Chemical Company
Cincinnati, Ohio 45215, U.S.A.
Telephone (513) 948-9111
Telex: 214320

July 16, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Merrell Dow Pharmaceuticals Inc., a wholly owned U.S. subsidiary of The Dow Chemical Company, strongly supports the three year suspension of U.S. duty on the nine items covered by the nine Senate bills listed below:

S-2054
S-2055
S-2056
S-2172
S-2197
S-2198
S-2332
S-2333
S-2334

Our reasons for seeking the suspension of the U.S. duties are as follows:

(1) These items are not manufactured in the United States and hence, are not available domestically.

(2) All nine items are unique in their production, technology and/or presentation.

(3) Of the nine items, the three covered by S-2332, S-2333 and S-2334 are sold under license from unrelated third parties located in Europe. These unrelated third parties own plans with sufficient capacity to supply our requirements. Neither Merrell Dow nor its' U.S. parent or U.S. affiliates currently have this capacity. A capital investment to manufacture these products cannot be justified.

(4) The product covered by S-2056 is manufactured for us by our wholly owned plant in Spain. This plant has the equipment and capacity to manufacture all of our relatively small requirement. We do not have the appropriate equipment to manufacture this material here in the U.S.A. and a capital investment to allow us to do so cannot be justified.

(5) The product covered by S-2197 is currently manufactured by our wholly owned affiliates in France. This product has not yet been approved for sale here in the U.S.A. although we anticipate obtaining FDA approval within the next 6-12 months. Whether we will manufacture this active ingredient here or in France will depend upon whether certain drug export legislation currently being considered by the House and Senate is passed. If the legislation is passed, this material will almost certainly be made here in the U.S.

(6) The remaining four products (covered by S-2054, S-2055, S-2172 and S-2198) are currently manufactured by our wholly owned affiliates in two common market countries, i.e. France and Italy. Neither Merrell Dow nor its' U.S. parent or U.S. affiliates have sufficient plant capacity to manufacture these items here in the U.S.A. and a capital investment which would allow us to do so cannot be justified.

(7) The Committee is requested to note that there is also a question of equity involved here. Merrell Dow currently manufactures here in the U.S. an active ingredient called probucol which is totally unrelated to any of the nine listed above. We export this product to Europe. This product has, pursuant to common market procedures, been exempted from all duty that would normally have been imposed upon entry of this product into any common market country. This is so because our European active ingredient plants do not have sufficient capacity or appropriate equipment to manufacture this product and hence, this product is not available in the common market except by import.

In view of all of the above we respectfully request the committee's support of these bills.

Very truly yours,

Philip G. Ellsworth

Philip G. Ellsworth
Business Operations Manager

PGE:nss

cc: Senator Lloyd M. Bentsen
Senator Steven D. Symms
Senator Malcolm Wallop

MM

Blue Circle Arizona Inc.

1366 East Thomas
Phoenix, Arizona 85014
Phone (602) 274-6977

July 30, 1984

The Honorable Robert J. Dole
141 Senate Hart Office Building
Washington, D.C. 20510

Dear Senator Dole:

On behalf of Blue Circle Arizona Inc., I am writing to express my opposition to trade reform legislation pending in Congress. Specifically, I have serious concerns about H.R. 4784, the Trade Remedies Reform Act of 1984, which is expected to be approved shortly by the House of Representatives. The legislation represents a radical change in United States trade policy and raises complex and controversial issues which have not been aired adequately. For these reasons, I oppose passage of the bill.

Trade remedy reform legislation which would impose duties and other trade sanctions on imports that are produced from low-cost, government owned or controlled natural resources, violates long-standing trade principles. The legislation will penalize foreign producers for utilizing their country's natural resource advantage in the production of goods destined for the United States. Trade reform legislation will invite retaliation by some of the United States' major trading partners and could harm seriously America's agricultural industry, among others.

If enacted, this trade reform legislation would conflict with many of the initiatives proposed by Democrats, Republicans, and non-partisan advisory groups to promote United States exports and to enhance United States industrial competitiveness. The trade reform legislation will establish new and unprecedented barriers to United States trade. It is inconsistent with the letter and the spirit of the General Agreement on Tariffs and Trade (GATT) and will be seen as a change in the United States policy of leadership toward freer trade. Such legislation will encourage mirror legislation abroad aimed at many of the United States' own trading practices, for example: export trading associations formed under the Export Trading Company Act. It will jeopardize thousands of the trade-related American jobs and have an adverse impact on the creation of new jobs.

Trade remedy reform legislation in the form of H.R. 4784 would harm significantly United States economic interest. I urge you to vote against it. Thank you for your consideration of this matter. Please contact me if you have any questions.

Sincerely,

BLUE CIRCLE ARIZONA INC.

Federico A. Goudie
President

FAG:lls

American Brush Company, Inc.

300 MANLEY STREET • BROCKTON, MASSACHUSETTS 02401 • TELEPHONE (617) 588-2300 • WATS: 1-800-225-0392

REQUEST FOR LEGISLATION TO RECLASSIFY SNAP BLADE KNIVES

American Brush is a manufacturer of paint brushes and paint applicators in Brockton, Massachusetts. It has been in operation since 1912 and presently employs 225 people. In recent years, American has witnessed a major erosion in sales due to imports of "low end" products from Taiwan, Korea and China. While American has made a major effort in combating imports via investment in new equipment and programs, sales units of brushes have decreased significantly.

To compensate for lost business and to protect American's future, a program of diversification has been started. A major program that American has invested in is the exclusive distribution of snap blade knives from a major cutlery company in Japan. Snap blades knives are unique in design and function. While they have been imported to the United States since the early 60's, sales have been limited because of distribution problems and excessively high duty rates. The concept of snap blade knives is uniquely Japanese. The knives have been manufactured by many companies in Japan for many years. To my knowledge only one or two items have been made in the United States (Ardell in New Jersey). The full range of products, however, has not been produced in the U.S. Most products coming in are "knock off" of Japanese products from either Taiwan and Korea who enjoy a G.S.P. duty.

When American first looked into this product line, the Customs officers in Boston studies the products and felt that the product could be entered as "Edged Hand Tools". The function of snap blade knives is to cut floor board, wallpaper, wall board and carpets. A classification as Edged Hand Tools (651-4570) seemed to make sense based on the function of the items. A Hand Tool classification has a duty of 7.7%. When the product came into the U.S., however, it was discovered that proper classification should be pocket knives, #64983/648-85. This classification has a significantly different tariff structure. The rate here is 11.5% plus 7¢ per knife plus 2.3¢ for every extra blade packed in the package. This new rate structure makes the items prohibitively costly. By example, the K-200 Knife, a popular economy item, cost American 32¢ FOB Japan. Total duty for this item would be .153 or 48%. Because of this rate structure, American's K-200 Knife would have a suggested retail of $2.49 versus $1.19 for Taiwan product and $1.29 for the closest domestically produced item from Ardell. (With Hand Tool designation American planned to have a $1.98 retail).

Market potential for this complete product line appears significant, but is presently untapped. Present demand is being satisfied largely from abroad, particularly from Taiwan and Korea because of obvious advantage of G.S.P. rating. Since the present classification is really protecting very

American Brush Company, Inc.

300 MANLEY STREET • BROCKTON, MASSACHUSETTS 02401 • TELEPHONE (617) 588-2300 • WATS: 1-800-225-0393

Page 2

little (due to fact that only one or two items of entire product line have been matched here), it appears that the highly restrictive rating is unnecessary and, in addition, unfair. We would like to see an ammendment made to the present law to allow snap blade knives to be reclassified under "Edged Hand Tool" designation.

Gary S. Furst
Executive Vice President
Operations

GSF:mem

American Brush Company, Inc.

300 MANLEY STREET • BROCKTON, MASSACHUSETTS 02401 • TELEPHONE (617) 588-2300 • WATS: 1-800-225-0393

FROM THE OFFICE OF
EXECUTIVE VICE PRESIDENT
OPERATIONS

December 1, 1981

Mr. Douglas Cahn
Congressman Barney Frank's Office
1609 Longworth Office Building
Washington, D.C. 20515

Dear Doug:

Enclosed is a draft of our brief for the Commissioner. In addition, I have enclosed sample product and a couple of catalogue sheets. Please be sure to keep Senator Tsongas's office advised of what you are doing.

Please call me if you have any questions. Thanks.

Regards,

AMERICAN BRUSH COMPANY, Inc.

Gary S. Furst
Executive Vice President
Operations

GSF:mem

Enclosure

American Brush Company, Inc.

300 MANLEY STREET • BROCKTON, MASSACHUSETTS 02401 • TELEPHONE (617) 588-2300 • WATS: 1-800-225-0392

FROM THE OFFICE OF
EXECUTIVE VICE PRESIDENT
OPERATIONS

July 29, 1982

Mr. Tom O'Riley
Office of The Honorable James Shannon
U.S. House of Representatives
Washington, D.C. 20515

Dear Tom:

Here is the packet of information which I sent to Doug Kahn in Congressman Barney Frank's office on June 15th in reference to HR Bill #5490.

Regards,

AMERICAN BRUSH COMPANY, Inc.

Gary S. Furst
Executive Vice President
Operations

GSF:mem

Attachment

American Brush Company, Inc.

[illegible] HANLEY STREET • BROCKTON, MASSACHUSETTS 02401 • TELEPHONE (617) [illegible] • WATS [illegible]

FROM THE OFFICE OF
EXECUTIVE VICE PRESIDENT
OPERATIONS

June 15, 1982

Mr. Doug Kahn
Office of Barney Frank
1609 Longworth Building
Washington, D.C. 20515

Dear Doug:

Enclosed you will find copies of the following documents which I feel should be helpful in creating a convincing argument for justifying our case to reduce duty on snap blade knives.

1. Copy of Ardell's catalogue.
2. Copy of Ardell's latest published price list.
3. Copy of American Brush's current snap blade price list.
4. Copy of Lion Products latest published price list.
5. Copy of Purchase Order to Okada Hardware (Japanese knives).
6. Copy of Sheun Der Price List to American Brush (Taiwan knives).

Please note the following:

1. RE: Ardell's Catalouge.

   There are only two items that Ardell sells (both marked "Assembled in USA from Canadian Parts") that are similar to items that can be classified "snap blade" knives. They are found on Page 5 (#22-551, #22-5533 and #22-5599 - same items with a different package) and on Page 15 (#22-3500).

   (Incidentally, we would be quite happy to be able to do the same assembly work in the US as Ardell does if we could buy all the components from Japan. The problem is that components are subject to the same duty structure as a finished product).

2. RE: Ardell's Price List vs. American Brush's Price List vs. Lion Products Price List.

   Ardell's item #22-5533 is packaged exactly like American's T-200 (Taiwan) and Lion Products K-200 (Japan) knives. All three knives are blister carded and come packaged with two extra blades. Knives are recognized as being similar in the trade.

2. (continued)

In comparing prices, it is important to understand that various manufacturers work with different discount structures from one another. (Many companies, including Ardell, even have different discounts from a suggested retail price, on the same price list.) Therefore, when one compares prices from one manufacturer to another, it is essential that one look at the Net Price a dealer pays (the price the store pays from a distributor), the Net price Distributor pays and the Net price an OEM pays for a product. Comparisons of Suggested Retail prices are meaningless unless the companies being compared work with the same discount structure. Ardell works with a "longer" discount structure than does American or Lion, (more discounts are offered from a Suggested Retail Price). Therefore, look at Net prices when doing a comparison.

DISCOUNT STRUCTURE

Company	Suggested Retail	(Discount for Dealer	Dealer Price	(Discount for Distributor)	Dist. Price	Discount for OEM	Retail Price
Ardell	$1.00	(50% off less 10% off)	45¢	(10% less 10%)	.36	(10%)	.33
American	$1.00	(50% off)	50¢	(10% less 10%)	.405	(5%)	.385
Lion Products	$1.00	(50% off)	50¢	(10% less 10%)	.405	(5%)	.385

PRODUCT COMPARISON

Item	Suggested Retail	Dealer Price	Distributor Price (Published)	OEM Price
Ardell #22-5533	1.89	.85	.65	.58
American T-200 (Made in Taiwan)	1.98	.99	.80	.76
Lion Products - K-200 (Made in Japan)	1.98 $2.25	1.13	.915	.87

American Brush's Taiwan item (T-200) will be listed 23% higher (at published Distributor Price) and 31% higher (at OEM level) than Ardell's product. The Japanese K-200 (Lion Products) is presently being listed 41% higher than Ardell's distributor price and is 50% higher at the OEM level.

When American Brush initially decided to carry this product line, it planned to import, as Lion Products does, items from Japan only. When American Brush later learned of the correct duty structure, however, it was realized that the Japanese items were no where near competitive to American made or Taiwan made products. For that reason American chose to import this item, along with others, from Taiwan instead of Japan. If the duty is reduced as proposed in HR Bill #5490, American Brush will price the Japanese knife with the same pricing structure as it is presently listing the K-200 from Taiwan.

This will still give Ardell a 31% pricing advantage at the OEM level, but at least the Japanese item will be more competitive to the Taiwan item than it has been in the past.

Despite the large variance in price between Ardell and Taiwan or Japan, American Brush feels that with a reduced duty it can sell significant quantities of Japanese knives since Ardell's item is a minor item in their comprehensive program.

If the duty is reduced to 7½% on the Japanese item, the item will still be 28% more costly to buy than similar products from Taiwan (higher labor cost, 7½% duty factor, etc. ...), but it will, at least, be somewhat competitive.

COST COMPARISON

Country of Origin	FOB Cost	Present 1) Duty Formula	New Duty Proposed	Total Cost
Japan K-200	74.5 Yen* = 32¢	12¢	--	44¢
Japan K-200	73 Yen* = 32¢		.025	34.5¢
Taiwan T-200	27¢			27¢

(*) Yen valued at 230 exchange rate

(1) 649-79-9.7% + 4.8¢ for Knife + 2¢ for each additional blade

I hope all this information is helpful in showing that Ardell should have little to worry about by reduction of Duty. Ardell will still enjoy a competitive edge of 31%!!

Please call me if this needs further explanation.

Regards,

AMERICAN BRUSH COMPANY, Inc.

Gary S. Furst
Executive Vice President Operations

GSF:mem

Attachments

順德工業股份有限公司
Hand
SHUEN DER INDUSTRY CO., LTD.
MANUFACTURER & EXPORTER OF STATIONERY

P. O. BOX 190
CHANG HUA TAIWAN
REPUBLIC OF CHINA
TEL [illegible]
TELEX [illegible]
CABLE ADD [illegible]
[illegible]

REF NO. ________

DATE May 17, 1982

PRICE LIST
****

To: M/S. American Brush Co. Inc.
Brockton, MA 02401
U. S. A.

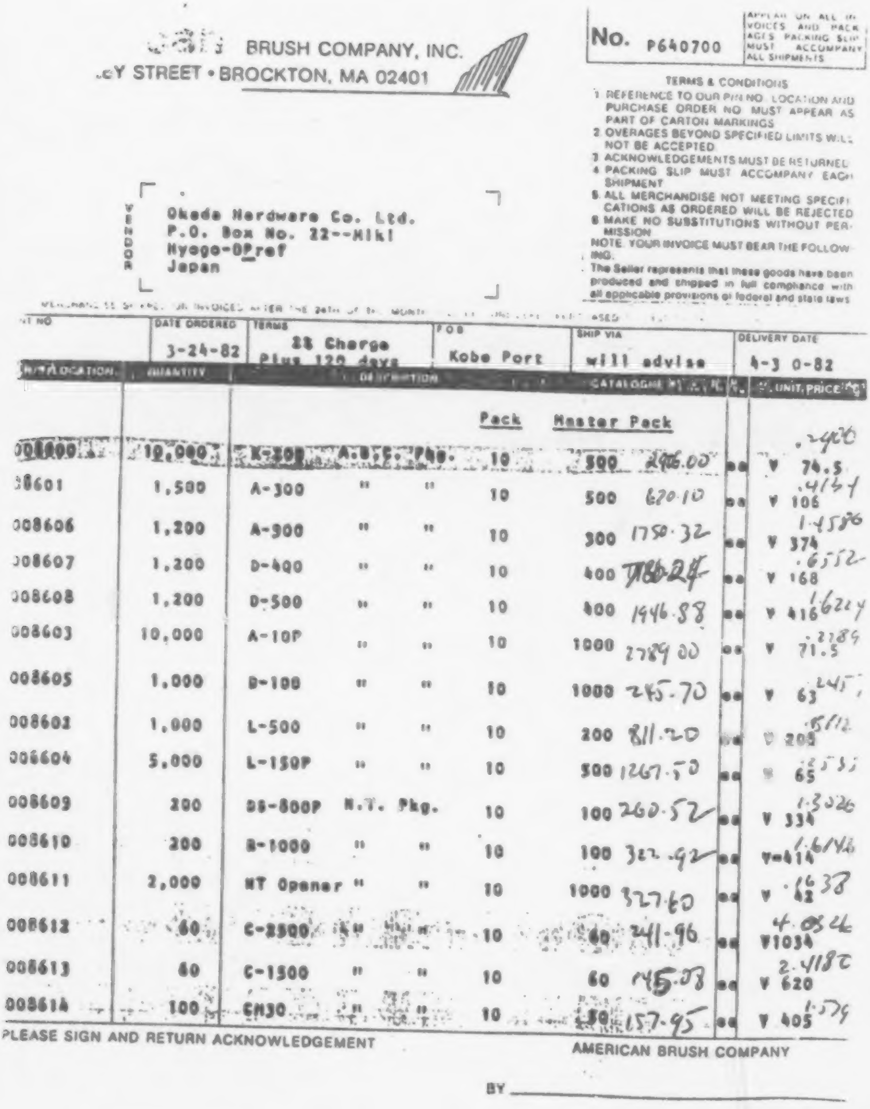
Item No.	Description	Unit Prices F.O.B. Taiwan Net.
	"HAND" Cutter Knives Type: Hand-120	
[redacted]	[redacted]	[redacted] .2725
401-1P	Each pc in polypouch with header and 2 extra blades	3.27/Dz. .2725
401-1B	Each pc without 2 extra blades then blister packed	2.92/Dz.card ,243
	Hand-120 Knives without any blades, reduce US$0.52/Dz. for above three diff. package.	
401-PB	Small plastic cutter knives Each pc with no extra blades then blister packed	.146 1.75/Dz.card
	Type: Hand-550	
402-1B	Each pc with 2 extra blades then blister packed	.634 7.61/Dz.card
402-1AB	Each pc without any blades then blister packed	657 ~~[illegible]~~/Dz.card
	Cutter Knives blades in plastic tube then blister packed, but blades supply by buyer.	.076 0.91/Dz.card

===

Payment: By an irrevocable L/C in our favor.
+ 90 days at site

SHUEN DER INDUSTRY CO. LTD.

MANAGER



BRUSH COMPANY, INC.
Y STREET • BROCKTON, MA 02401

No. P640700

APPEAR ON ALL INVOICES AND PACKAGES PACKING SLIP MUST ACCOMPANY ALL SHIPMENTS

TERMS & CONDITIONS

1. REFERENCE TO OUR P/O NO. LOCATION AND PURCHASE ORDER NO. MUST APPEAR AS PART OF CARTON MARKINGS
2. OVERAGES BEYOND SPECIFIED LIMITS WILL NOT BE ACCEPTED
3. ACKNOWLEDGEMENTS MUST BE RETURNED
4. PACKING SLIP MUST ACCOMPANY EACH SHIPMENT
5. ALL MERCHANDISE NOT MEETING SPECIFICATIONS AS ORDERED WILL BE REJECTED
6. MAKE NO SUBSTITUTIONS WITHOUT PERMISSION

NOTE. YOUR INVOICE MUST BEAR THE FOLLOWING:

The Seller represents that these goods have been produced and shipped in full compliance with all applicable provisions of federal and state laws

VENDOR
Okada Hardware Co. Ltd.
P.O. Box No. 22--Miki
Hyogo-Pref
Japan

NT NO	DATE ORDERED	TERMS	F.O.B.	SHIP VIA	DELIVERY DATE
	3-24-82	2% Charge Plus 120 days	Kobe Port	will advise	4-30-82

LOCATION	QUANTITY	DESCRIPTION	Pack	Master Pack			UNIT PRICE
008600	10,000	K-300 A.B.C. Pkg.	10	500	2980.00	ea	¥ 74.5 .2980
008601	1,500	A-300 " "	10	500	620.10	ea	¥ 106 .4134
008606	1,200	A-900 " "	10	300	1750.32	ea	¥ 374 1.4586
008607	1,200	D-400 " "	10	400	786.24	ea	¥ 168 .6552
008608	1,200	D-500 " "	10	400	1946.88	ea	¥ 416 1.6224
008603	10,000	A-10P " "	10	1000	2289.00	ea	¥ 71.5 .2289
008605	1,000	B-100 " "	10	1000	245.70	ea	¥ 63 .2457
008602	1,000	L-500 " "	10	200	811.20	ea	¥ 203 .8112
008604	5,000	L-150P " "	10	500	1267.50	ea	¥ 65 .2535
008609	200	DS-800P N.T. Pkg.	10	100	260.52	ea	¥ 334 1.3026
008610	200	B-1000 " "	10	100	322.92	ea	¥-414 1.6146
008611	2,000	NT Opener " "	10	1000	327.60	ea	¥ 42 .1638
008612	60	C-2500 " "	10	60	241.96	ea	¥1034 4.0326
008613	60	C-1500 " "	10	60	145.08	ea	¥ 620 2.4180
008614	100	CM30 " "	10	50	157.95	ea	¥ 405 1.579

PLEASE SIGN AND RETURN ACKNOWLEDGEMENT

AMERICAN BRUSH COMPANY

BY ______________________

Effective February 1, 1981

WHOLESALE PRICE SCHEDULE

- • NEW PRODUCT
- • PRICE REDUCED

GENERAL TERMS:

2% 10 days, net 30
Minimum Order – $150.00 Net
Orders $400.00 Net or more prepaid

RETURNED MERCHANDISE:

No merchandise will be accepted for return without written authorization from Lion Office Products, Inc., Gardena, California. All returned goods must be in saleable condition.

A 15% re-stocking charge will be deducted from all returned goods.

PRICES:

All items combined for discount
A – ~~50%, 10% & 5% OFF~~ from $150 – $299 net
B – 50% & 10% & 10% OFF over $300 net
~~Order Unit – full case or~~ shelf carton unit only.

FAST SERVICE

TOLL FREE (EXCEPT CALIFORNIA)
800 – 421-1848
CALL COLLECT FROM CALIFORNIA:
213 – 770-8386

NUMBERING MACHINES

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
B-37	99.95	42.73	40.48	1/30
B-71	89.95	38.45	36.43	1/30
B-78	79.95	34.18	32.38	1/30
C-77	63.95	27.34	25.90	1/40
C-75	63.95	27.34	25.90	1/40
C-72	41.95	17.93	16.99	1/40
C-71	41.95	17.93	16.99	1/40
D-52	40.95	17.51	16.58	1/50
D-51	40.95	17.51	16.58	1/50

Note:		
	B-37	10 Wheels, 3 Movements
	B-71	9 Wheels, 7 Movements
	B-78	8 Wheels, 7 Movements
	C-77	7 Wheels, 7 Movements
	C-75	6 Wheels, 7 Movements
	C-72	6 Wheels, 7 Movements
	C-71	6 Wheels, 7 Movements
	D-52	5 Wheels, 5 Movements
	D-51	5 Wheels, 5 Movements

SERVICE

Complete reconditioning – Always 10.00 per each.

NUMBERING MACHINE SUPPLIES

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
LMN-1	2.35	1.00	0.95	12/no
Colors: Blue, Red & Black				
Ink Pad	0.60	0.26	0.24	12/no

TALLY COUNTER

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
103	10.95	4.68	4.43	10/200
203	11.95	5.11	4.84	10/200

Note:
103 – Hand Type, 4 digits, w/Finger Ring
203 – Desk Type, 4 digits

TAPE DISPENSER

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
L-126 (Doz)	8.40	3.59	3.40	12/144
L-127 (Doz)	8.40	3.59	3.40	12/144
15	5.95	2.54	2.41	1/20
20	8.95	3.83	3.62	1/20
25	12.95	5.54	5.24	1/20
800	14.95	6.39	6.05	1/12

Colors:
L-126 & L127 – Dark Smoke
15 – Black, Beige, Grey, Green and Walnut Tone
20 – Walnut Grain
25 – Black, Beige and Brown
800 – Walnut Grain

Note:
L-126 for ½" wide tape, 1" core
L-127 for ¾" wide tape, 1" core
800 & 25 – Uses 1" & 3" core tape
Up to 5" diameter tape
15 & 20 – Uses 1" core tape

FAST SERVICE

LION OFFICE PRODUCTS, INC.
401 WEST ALONDRA BLVD.
GARDENA, CALIFORNIA 90248
TEL. (213) 770-8386

2/1/81
From Calif: Call Collect
(213) 770-8386
From all other states
Toll Free Number
1-800—421-1848

WHOLESALE PRICE SCHEDULE

LIST FINDERS & REFILL

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
T-500	5.95	2.54	2.41	10/80
630	6.95	2.97	2.81	10/80
460	9.95	4.25	4.03	12/48
560	12.95	5.54	5.24	6/36
701	13.95	5.96	5.65	10/40
751	15.95	6.82	6.46	10/40
50	15.95	6.82	6.46	10/40
80	15.95	6.82	6.46	10/40
360	8.95	3.83	3.62	10/40
R-80	2.50	1.07	1.01	1/no
R-500	2.50	1.07	1.01	1/no
R-630	2.50	1.07	1.01	1/no
R-45	2.50	1.07	1.01	1/no
R-701	2.50	1.07	1.01	1/no
R-360	2.50	1.07	1.01	1/no

Colors:

T500 – Black, Walnut
630 – Lime, Orange, Brown
460 – Black, Walnut
701 – Black, Walnut
560 – Black, Walnut
751 – Black, Brown
50 – Off White
80 – Off White/Smoke Top
360 – Walnut Grain

DESK ACCESSORIES

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
Desk Sets				
1000	19.95	8.53	8.08	5/30
1500-D	29.95	12.80	12.13	5/30
750-D	29.95	12.80	12.13	5/30
760-D	14.95	6.39	6.05	5/40
R-1000	2.30	0.98	0.93	1/no
R-1500	2.30	0.98	0.93	1/no
R-750	2.30	0.98	0.93	1/no
R-760	2.30	0.98	0.93	1/no
Desk Organizer				
DO-770	3.98	1.70	1.61	1/24
Pencil Cups				
452	8.95	3.83	3.62	10/60
553-P	4.95	2.12	2.00	10/60
PC-554	2.25	0.96	0.91	12/72
Roll Memos				
801	16.95	7.25	6.86	5/40
1001	19.95	8.53	8.08	5/30
R-801	1.95	0.83	0.79	10/no
R-1001	2.50	1.07	1.01	5/no
707-D	5.95	2.54	2.41	10/60
Memo Writers				
580	9.95	4.25	4.03	10/60

Colors:

452 – Brown, Green and Red
553P – Black Only
707D – Black, Yellow and Green
DO-770 – Smoked
PC-554 – Smoked
580 – Black, Brown, Orange, Blue and Green

BUSINESS CARD FILE

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
L-245	2.98	1.27	1.21	10/
480	11.95	5.11	4.84	6/48
600	12.95	5.54	5.24	6/36
850	13.95	5.96	5.65	5/40
R-245	0.95	0.41	0.38	1/no
R-46	3.50	1.50	1.42	1/no
R-850	3.50	1.50	1.42	1/no

Colors:
L-245 – Black, Putty
480, 600 – Black, Beige (Blue available on 600 only)
850 – Walnut

Note:
L-245 – 350 Card Capacity
480 – 400 Card Capacity
600 – 600 Card Capacity
850 – 500 Card Capacity
R-46 – Refill for 480 and 600
R-850 – Refill for 850

	Retail	A	B	Box/ Ship-CTN
Business Card Holder				
CH-220	0.98			10/120

Color: Smoked
Note: Minimum order 10 pcs.

STAPLERS

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
606	19.95	8.53	8.08	6/36
404	10.95	4.68	4.43	10/60
330	6.95	2.97	2.81	12/120
P-110	8.95	3.83	3.62	12/120
N-10	2.25	0.96	0.91	12/360
3-U	36.95	15.80	14.96	1/no

Colors:
606 – Black, Grey, Brown, Gold/Avocado
404 – Black, Brown
330 – Black, Tan, Grey

Note:
606, 404 take Full Strip standard Staples
330 take Half Strip standard Staples
P110, N10 take Swingline TOT50
or Bostitch Regal 25 Staples
3-U takes Lion 3H Staples only.

STAPLES

– Price Per Box –

	Retail	A	B	Box/ Ship-CTN
Standard (5M)	1.95	0.83	0.79	10/200
No. 10 (1M)	0.50	0.21	0.20	10/200
3-H (2M)	1.75	0.75	0.71	10/200

FAST SERVICE

LION OFFICE PRODUCTS, INC.
401 WEST ALONDRA BLVD.
GARDENA, CALIFORNIA 90248
TEL. (213) 770-8386

2/1/81
From Calif: Call Collect
(213) 770-8386
From all other states
Toll Free Number
1-800-421-1848

WHOLESALE PRICE SCHEDULE

NT CUTTER AND BLADES

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
NC-60-SP	1.39	0.59	0.56	20/1200

Colors: Blue, Lt. Blue, Green, Red, Yellow and Brown

Note: Uses Blades A-100, A-160

	Retail	A	B	Box/ Ship-CTN
[redacted]	[redacted]	[redacted]	[redacted]	10/500
[redacted]	[redacted]	0.96	[redacted]	10/500
S-200	2.50	1.07	1.01	10/100
S-200-BP	2.50	1.07	1.01	24/120
A-300	3.75	1.60	1.52	10/200
A-300-BP	3.75	1.60	1.52	24/120
A-900	8.50	3.63	3.44	10/100
L-500	5.95	2.54	2.41	10/200
L-500-BP	5.95	2.54	2.41	24/120
L-550	5.95	2.54	2.41	10/200
L-550-BP	5.95	2.54	2.41	10/200
F-650	7.75	3.31	3.14	10/200
F-650-BP	7.75	3.31	3.14	24/120
D-400	4.50	1.92	1.82	10/120
D-500	9.95	4.25	4.03	10/160
D-500-BP	9.95	4.25	4.03	24/120
M-500	5.25	2.24	2.13	12/120
G-700	8.50	3.63	3.44	10/100
C-2500	26.95	11.52	10.91	10/60
Y-200	2.25	0.96	0.91	10/100
A-100	1.95	0.83	0.79	10/100
A-100-BP	1.95	0.83	0.79	24/no
A-160	2.95	1.26	1.19	10/100
AC-300	3.95	1.69	1.60	10/100
L-150	2.95	1.26	1.19	10/100
L-150-BP	2.95	1.26	1.19	24/no
L-300	3.50	1.50	1.42	10/200
D-100	1.95	0.83	0.79	10/100
D-100-BP	1.95	0.83	0.79	24/no
M-1	2.95	1.26	1.19	12/no
M-2	2.95	1.26	1.19	12/no
RJ-1200	6.55	2.80	2.65	12/no
J-300	2.60	1.11	1.05	12/no
J-350	3.95	1.69	1.60	12/no
C-400	4.50	1.92	1.82	100/no
Y-1	2.95	1.26	1.19	100/no

Cutter	
K-200, S-200, A-300	– A-100, A-160 Blades
L-500, L-550, F-650, G-700	– L-150, L-300 Blades
D-400, D-500	– D-100 Blade
M-500	– M-1 and M-2
J-1200	– RJ-1200 Blade (J-300 Small & J-350 Large)
A-900	– AC-300 Cartridge
C-2500	– C-400 Blade
Y-200	– Y-1 Blade

(BP Means Bubble Pack)

GLUE (Mr. Cling)

– Price Per Box –

	Retail	A	B	Box/ Ship-CTN
MC-30	29.40	12.5[illegible]	11.91	30/240
MC-55-BP	15.90	6.80	6.44	10/000

Note:
MC-30 – 30cc per tube, 30 tubes per box
Point of purchase display
MC-55 BP – 55cc per tube, 10 tubes per box
Bubble Pack

CLIP BOARD

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
250	3.25	1.39	1.32	10/100
260	3.98	1.70	1.61	10/100
270	4.95	2.12	2.00	10/100

Colors: Black, Blue, Red, Green, Yellow and White

Note:
250 – Memo size
260 – Letter size
270 – Legal size

PRE INKED STAMPS & INK

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
1 – 45	4.15	1.77	1.68	1/10/300

1 - URGENT
3 - VIA AIR MAIL
5 - FIRST CLASS MAIL
7 - RUSH
9 - FRAGILE
11 - SPECIAL DELIVERY
13 - RECEIVED
15 - APPROVED
17 - PAID
19 - VOID
21 - PAST DUE
23 - DELIVERED
25 - CONFIDENTIAL
27 - COMPLETED
29 - FOR DEPOSIT ONLY
31 - DUPLICATE
33 - CONFIRMATION
35 - SECRET
37 - REGISTERED
39 - CERTIFIED
41 - APPROVED FOR PAYMENT
43 - CASH
45 - THIS ACCOUNT IS -

2 - AIR MAIL
4 - THIRD CLASS MAIL
6 - PARCEL POST
8 - COPY
10 - C.O.D.
12 - CREDIT MEMO
14 - CANCELLED
16 - SHIPPED
18 - IMPORTANT
20 - PERSONAL
22 - PLEASE REMIT
24 - ENTERED
26 - ORIGINAL
28 - DISCONTINUED
30 - FILED
32 - THANK YOU
34 - PRINTED MATTER
36 - FINAL NOTICE
38 - SECOND NOTICE
40 - SAMPLE
42 - INSPECTED
44 - BILLED

	Retail	A	B	Box/ Ship-CTN
INK	1.75	0.75	0.71	24/no

Note: Red Ink Stamps – 1-17, 25, 28, 34-39, 44
Blue Ink Stamps – 18-24, 26, 27, 29-33, 40-43, 45

PIT-8	1.50	0.64	0.61	12/no

Note: Tray for 8 Pre-Inked Stamps

FAST SERVICE

LION OFFICE PRODUCTS, INC.
401 WEST ALONDRA BLVD.
GARDENA, CALIFORNIA 90248
TEL. (213) 770-8386

2/1/81
From Calif: Call Collect
(213) 770-8386
From all other states
Toll Free Number
1-800-421-1848

WHOLESALE PRICE SCHEDULE

BINDER CLIPS

– Price Per Gross –

	Retail	A	B	Box/ Ship-CTN
107	16.00	6.84	6.48	Dz/20 Gross
111	23.00	9.83	9.32	Dz/20 Gross
155	26.00	11.12	10.53	Dz/10 Gross
200	58.00	24.80	23.49	Dz/5 Gross
260	65.00	27.79	26.33	Dz/50 Dz

Note:
107 – ¾" Wide, 11/32" Capacity
111 – 1" Wide, 7/16" Capacity
155 – 1¼" Wide, 5/8" Capacity
200 – 1-5/8" Wide, 13/16" Capacity
260 – 2" Wide, 1-1/16" Capacity

PAPER CLIPS

– Price Per 1000 Clips –

		Box/ Ship-CTN
#1 (Standard Size)	4.40	100/25000
#5 (Jumbo – Non Skid)	12.15	100/10000
#5 (Jumbo – Smooth)	12.15	100/10000

Note:
100 clips per box
Contact either sales rep or LION OFFICE PRODUCTS, INC. for prices

CLIP DISPENSER

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
1-PC-BK	2.00	0.86	0.81	12/144
C1-PC-WA	2.25	0.96	0.91	12/144
C1-BP-BK	2.00	0.86	0.81	12/144
C-2	2.50	1.07	1.01	12/144
C-3	2.95	1.26	1.19	12/72

Color:
C1-PC-BK, C1-BP-BK, C-2 – Black Top & Smoked Bottom
C1-PC-WA, C-3 – Walnut Top & Smoked Bottom

Note: C-1 with 15 clips

BOOK RINGS

– Price Per Box –

	Retail	A	B	Box/ Ship-CTN
L-9	8.20	3.51	3.32	100/12000
L-19	8.60	3.68	3.48	100/9000
L-29	10.00	4.28	4.05	100/6000
L-39	10.50	4.49	4.25	100/4000
L-49	11.30	4.83	4.58	100/3000
L-59	7.90	3.38	3.20	50/2000
L-69	2.90	1.24	1.17	10/1200
L-79	4.00	1.71	1.62	10/800

Note:
L-9 – 11/16"
L-19 – ¾"
L-29 – 1"
L-39 – 1¼"
L-49 – 1½"
L-59 – 2"
L-69 – 2½"
L-79 – 3"

PENCIL SHARPENER BATTERY OPERATED

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
P-5	19.95	8.53	8.08	1/36
LB-10	18.95	8.10	7.67	1/36

Color: LB-10: Off White P-5: Off White
Note: Batteries not included

LETTER OPENERS

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
2-LO	1.25	0.53	0.51	Dz/50 Dz
3-LO	1.50	0.64	0.61	Dz/50 Dz
4-LO	1.50	0.64	0.61	Dz/50 Dz
2-LO-BP	1.75	0.75	0.71	Dz/50 Dz

Note:
2-LO – 8-5/6" Length
3-LO – 9-2/3" Length
4-LO – 9-1/3" Length

HANGING FOLDER FRAME

– Price Per Each –

	Retail	C	(Special Net Price) 5 Gross	10 Gross	16 Gross	Box/ Ship-CTN
L-442-6	5.25	1.91	1.57	1.54	1.51	6/18
L-442-1	5.75	2.10	1.82	1.79	1.76	1/18
L-443-6	5.75	2.10	1.72	1.69	1.66	6/18
L-443-1	6.25	2.28	1.97	1.94	1.91	1/18

Note:
L-442-6 – Letter size, 6 ea. pack, 27-3/8"
L-442-1 – Letter size, 1 ea. pack, 27-3/8"
L-443-6 – Legal size, 6 ea. pack, 27-3/8"
L-443-1 – Legal size, 1 ea. pack, 27-3/8"

VISIBLE RECORD BOOKS

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
253	38.95	16.65	15.77	1/10
264	39.95	17.08	16.18	1/10
185	21.95	9.38	8.89	1/20
485	33.95	14.51	13.75	1/20
285	38.95	16.65	15.77	1/10
385	11.95	5.11	4.84	1/40
585	22.95	9.81	9.29	1/20
785	59.95	25.63	24.28	1/10
1085	69.95	29.90	28.33	1/10
R-12	0.49	0.21	0.20	250/1000
R-11	0.49	0.21	0.20	200/no
R-10	0.49	0.21	0.20	200/no
L-85	0.49	0.21	0.20	100/1000

Note:
253 – 64 Pockets, takes 3" x 5" Card
264 – 58 Pockets, takes 4" x 6" Card
185 – 25 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
485 – 40 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
285 – 50 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
385 – 20 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
585 – 46 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
785 – 74 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
1085 – 100 Pockets, takes 3" x 5", 4" x 6" & 5" x 8" Cards
R-12 – Refill Pocket for 185, 285, 785 & 1085
R-11 – Refill Pocket for 264
R-10 – Refill Pocket for 253
L-85 – Refill bar Pocket for Victor Visible Books

FAST SERVICE

LION OFFICE PRODUCTS, INC.
401 WEST ALONDRA BLVD.
GARDENA, CALIFORNIA 90248
TEL. (213) 770-8386

2/1/81
From Calif: Call Collect
(213) 770-8386
From all other states
Toll Free Number
1-800–421-1848

CUTTING MATS

– Price Per Each –

	Retail	A	B	Box/ Ship-CTN
CM-90	45.95	19.64	18.61	10/no
CM-60	27.95	11.95	11.32	20/no
CM-45	16.95	7.25	6.86	40/no
CM-30	8.95	3.83	3.62	80/no
CM-30H	8.95	3.83	3.62	80/no

Color: Green

	Retail	A	B	Box/ Ship-CTN
CM-60T	36.95	15.80	14.96	20/no
CM-45T	19.95	8.53	8.08	40/no

Color: Transparent

Note:
CM-90 – 36" x 24" (Special Order)
CM-60, CM-60T – 24" x 18"
CM-45, CM-45T – 18" x 12"
CM-30 – 12" x 8¾"
CM-30H – 12" x 8¾", Hard Type

PLASTIC ERASER

– Price Per Box –

	Retail	Net	Box/ Ship-CTN
P-100	10.95	5.20	50/no

Note: P-100 – 24 Erasers per Box

PUNCHING MACHINE

– Price Per Each –

	Retail	Net	Box/ Ship-CTN
1	17.95	8.53	no/50
81	7.95	3.78	no/96
330	18.50	8.79	no/20

Note:
1 – Eyelet Punch
81 – 2 Hole Punch (2¾" center to center)
330 – 3 Hole Punch

HAND SAFE

– Price Per Each –

	Retail	Net	Box/ Ship-CTN
1	118.95	56.50	1/6
3	85.95	40.83	1/6
5	54.95	26.10	1/6

Colors:
1 – Olive Green
3 – Gold Grey
5 – Olive Green

Note:
1 – 9-15/16"L x 14-5/16"W x 6-1/8"H
3 – 8"L x 11-15/16"W x 4-3/4"H
5 – 6-1/2"L x 10-1/16"W x 4"H

1 – Combination Key and Bell
3 – Combination Key
5 – Key

LETTERING SET & PARTS

– Price Per Set –

	Retail	Note:	Box/ Ship-CTN
12L	269.95	– 12 Templates, 11 Pens	1/no
11L	259.95	– 11 Templates, 11 Pens	1/no
9L	229.95	– 9 Templates, 10 Pens	1/no
8L	219.95	– 8 Templates, 10 Pens	1/no
6L	179.95	– 6 Templates, 6 Pens	1/no
5L	159.95	– 5 Templates, 5 Pens	1/no
3L	119.95	– 3 Templates, 3 Pens	1/no
TEMPLATE		**Note:**	
5011 to 5015	12.95	– 60CL to 140CL	1/no
5016 to 5019	14.50	– 175CL to 290CL	1/no
5020 to 5022	15.95	– 350CL, 425CL, 500CL	1/no
OTHER PARTS		**Note:**	
5051	23.95	– Scriber	1/no
5052	5.10	– Socket Holder	1/no
5053	2.95	– Lead Holder	1/no
5055	0.78	– Stand for Scriber	1/no

PARALLEL RULER #3000

– Price Per Each –

	Retail	Note:	Box/ Ship-CTN
30"	79.95		1/no
36"	87.95		1/no
42"	92.95		1/no
48"	99.95		1/no
54"	105.95		1/no
60"	118.95		1/no
72"	131.95		1/no
Cable	10.95	– 100 Ft. Spools	1/no
Attachment	7.50		1/no

TRIANGLE RULER – PLASTIC
CLEAR OR ORANGE

– Price Per Each –

	CLEAR Retail	ORANGE Retail	Box/ Ship-CTN
450-4	1.25	1.45	12/no
450-6	1.65	1.95	12/no
450-8	2.25	3.05	12/no
450-10	3.20	4.10	12/no
450-12	3.85	5.10	12/no
450-14	5.75	6.35	12/no
450-16	7.65	8.70	12/no
450-18	9.55	10.95	12/no
360-4	1.10	1.25	12/no
360-6	1.45	1.70	12/no
360-8	1.65	2.25	12/no
360-10	2.25	2.85	12/no
360-12	3.15	3.55	12/no
360-14	3.80	4.50	12/no
360-16	5.10	6.05	12/no
360-18	7.15	7.65	12/no

DRAWING INSTRUMENTS

– Price Per Each –

	Retail	Note:	Box/ Ship-CTN
1-A	7.95	– 4" Bow Pencil	1/no
1-B	9.50	– 4" Bow Pen	1/no
1–C	7.95	– 4" Bow Divider	1/no
2	13.50	– 4" Combination Bow Pencil, Pen & Divider	1/no
3	11.95	– 6" Divider	1/no
4	11.95	– 6¾" Giant Bow	1/no
5	23.95	– 6¾" Combination Bow	1/no
111	26.50	– Pencil Bow Set	1/no
112	46.75	– Giant Bow Set	1/no
113	33.50	– Giant Bow & Small Bow Set	1/no
114	39.50	– Interchangeable Compass Set	1/no
115	31.10	– Interchangeable Compass Set	1/no

T-SQUARE

– Price Per Each –

	Retail		Retail	Box/ Ship-CTN
MK-18	11.95	MA-18	11.50	12/12
MK-24	14.50	MA-24	13.95	12/12
MK-30	16.95	MA-30	16.50	12/12
MK-36	17.95	MA-36	17.50	12/12
MK-42	21.50	MA-42	20.95	12/12
MK-48	23.95	MA-48	22.50	12/12

Note: MK – Removable Head & Packed in Waterproof Bag
MA – Fixed Head

FRENCH CURVE – PLASTIC

– Price Per Each –

	Retail	Note:	Box/ Ship-CTN
6	1.55	– 5¾" French Curve	12/no
8	1.65	– 6" French Curve	12/no
10	1.80	– 6½" French Curve	12/no
13	2.30	– 8-1/3" French Curve	12/no
15	2.45	– 8½" French Curve	12/no
16	2.55	– 8" French Curve	12/no
18	2.45	– 9-7/8" French Curve	12/no
19	2.55	– 10-7/8" French Curve	12/no
20	3.05	– 10-5/8" French Curve	12/no
26	2.30	– 6¾" French Curve	12/no

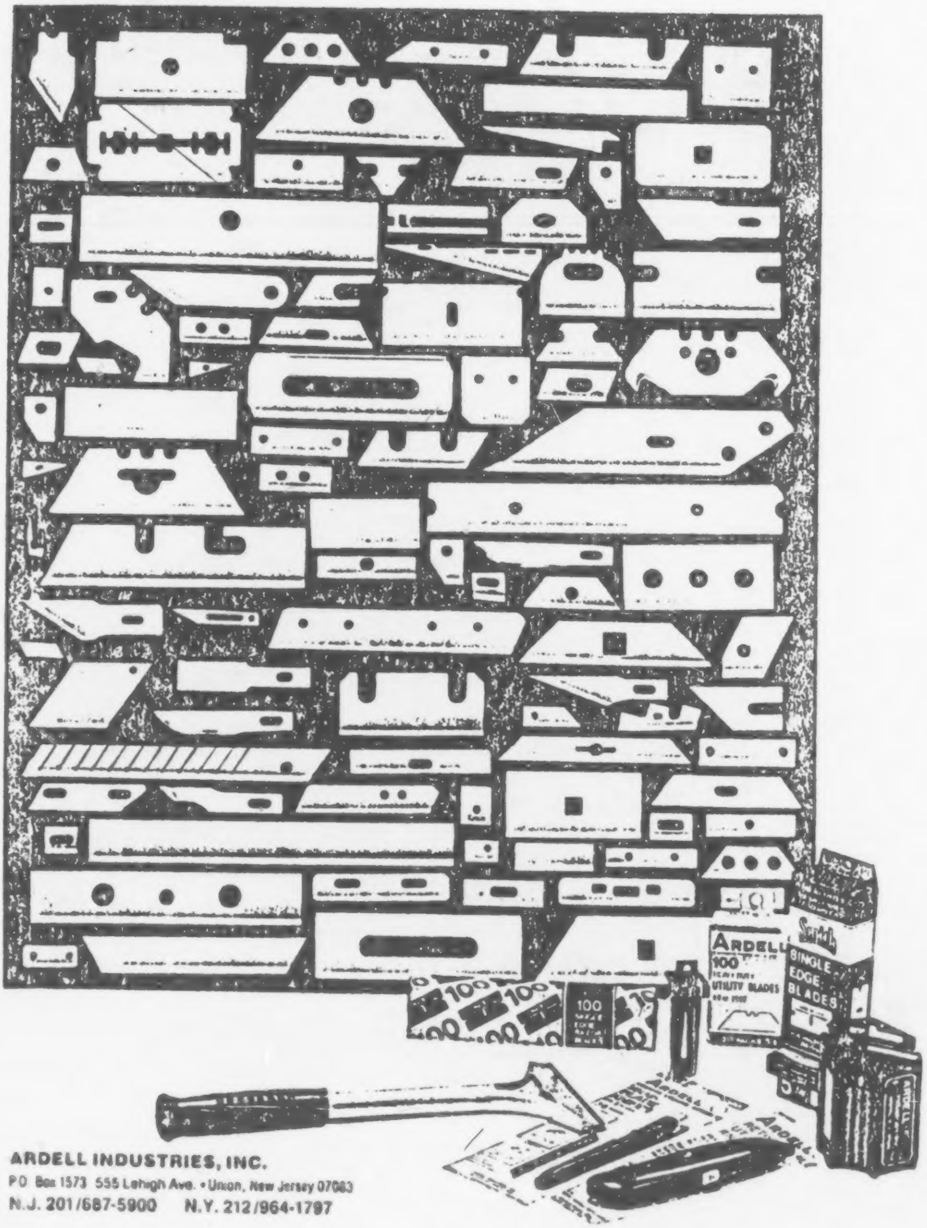
FAST SERVICE
G 09-80 018-3M

LION OFFICE PRODUCTS, INC.
401 WEST ALONDRA BLVD.
GARDENA, CALIFORNIA 90248
TEL. (213) 770-8386

2/1/81
From Calif: Call Collect
(213) 770-8386
From all other states
Toll Free Number
1-800–421-1848

	STYLE	DESCRIPTION	PACK	MASTER PACK	RETAIL	DIST
		ABC SNAP PACKAGE				
008600	T-200	Light Duty Cutter	10	500	1.98	.80
008701	T-200 WP	Wallpaper Knife	10	300	1.98	.80
008700	T-200 WPV	Wallpaper Knife/Vinyl Pouch	30	250	1.98	.80
008601	A-300	All Purpose Snap Blade Knife	10	500	3.49	1.41
008703	Executive	Designer Knife - Stainless Blades	10	250	4.49	1.82
008606	A-900	Professional Model Cartridge Load	10	300	9.98	4.04
008607	D-400	Pen-type Cutter Plastic Case	10	400	4.98	2.02
008608	D-500	Multi-Purpose Pen-Type Cutter/Alum.	10	400	9.98	4.04
008602	L-500	Professional Model Heavy Duty	10	200	5.49	2.22
008702	T-550	Pro. Blade Knife - Notched Handle	10	100	4.98	2.02
008704	Rotary	Rotary Cutter	10	100	6.98	2.83
008603	A-10P	10 Small Refill Blades - (K-200, T-200WP, T-200WPV, A-300, Executive, A-900)	10	1000	2.98	1.21
008605	D-100	5 Small Designer Refill Blades (D-400, D-500, DS-800P)	10	1000	2.98	1.21
008604	L-150P	6 Large Refill Blades (L-500, T550, L-2000)	10	500	3.98	1.61
008620	A-10P	Small Stainless Refill Blades (K-200, T-200WP, T-200WPV, A-300, Executive, A-900)	10	500	3.98	1.61
		NT PACKAGE				
008609	DS-800P	Pen-type Cutter	10	100	9.98	4.04
008610	R-1000	Unpacking Cutter	10	100	11.49	4.65
008018	L-2000	Snap Blade Cutter, Pro. Model Screw-type, Cartridge Load	10	100	19.98	8.09
008612	C-2500	Designer Circular Cutter	10	60	29.95	12.13
008613	C-1500	Circular Cutter	10	60	19.98	8.09
008614	CM30	Cutting Mat - 300 x 220 x 3mm	10	50	11.50	4.66
008615	CM45	Cutting Mat - 450 x 300 x 3mm	10	30	18.95	7.67
008616	CS30	Cutting Scale - 30cm x 5mm	10	100	9.50	3.85
008617	CS50	Cutting Scale - 50cm x 5mm	10	10	14.95	6.05
008611	NT Opener	Envelope Opener	10	1000	1.49	.60
008117	AC-300	Sm. Blade/Cartridge Type Refl/5 Blds.	10	100	4.49	1.82
008618	A-50	50 Bulk Packed Small Blades	50	500	12.00	4.86
008619	L-50	50 Bulk Packed Large Blades	50	150	23.00	9.32

Ardell



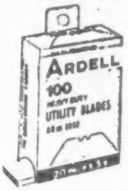
ARDELL INDUSTRIES, INC.
P.O. Box 1573 555 Lehigh Ave. • Union, New Jersey 07083
N.J. 201/687-5900 N.Y. 212/964-1797

blades. Today we manufacture over 350 different industrial grade razor blades—single or double edge, carbon or stainless steel and stock hundreds of shaped blades for pencil sharpeners, carpet installation, wallpaper stripping, model building, food industry, slicing, dicing, slitting and cutting. Sharpened steel in coil form is also available.

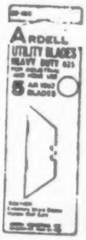
Utility Knife Blades

PRIVATE BRANDING ON REQUEST

Utility blades are available in the following packaging as indicated for each blade

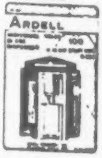


100 Pack
20 Packs of 5's



Carded

Plastic Dispenser
Boxed



lastic Dispenser
Carded

Bulk Blades in rows, no separation	100 Pack 20 packs of 5's	Carded 5 blades per card/10 cards per box 60 boxes per master	Plastic Dispenser 100 individual blades 30 dispensers per master

UT .018 Utility Knife Blades
Bulk
No. 01-101
1560 blades per box
Packed 4 boxes per master

100 Pack
No. 01-102
Packed 40 100 packs per master

Carded
No. 01-103

Plastic Dispenser
No. 01-104 (Carded)
No. 01-104B (Boxed)

UT .025 Utility Knife Blades
Bulk
No. 02-101
1080 blades per box
Packed 4 boxes per master

100 Pack
No. 02-102
Packed 30 100 packs per master

Carded
No. 02-103

Plastic Dispenser
No. 02-104 (Carded)
No. 02-104B (Boxed)

AP .018 Utility Knife Blades
Bulk
No. 01-201
1560 blades per box
Packed 4 boxes per master

100 Pack
No. 01-202
Packed 40 100 packs per master

Carded
No. 01-203

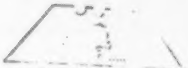
Plastic Dispenser
No. 01-204 (Carded)
No. 01-204B (Boxed)

AP .025 Utility Knife Blades
Bulk
No. 02-201
1080 blades per box
Packed 4 boxes per master

100 Pack
No. 02-202
Packed 30 100 packs per master

Carded
No. 02-203

Plastic Dispenser
No. 02-204 (Carded)
No. 02-204B (Boxed)



A & G .018 Utility Knife Blades
Bulk
No. 01-301
1300 blades per box
Packed 4 boxes per master

100 Pack
No. 01-302
Packed 40 100 packs per master

Carded
No. 01-303

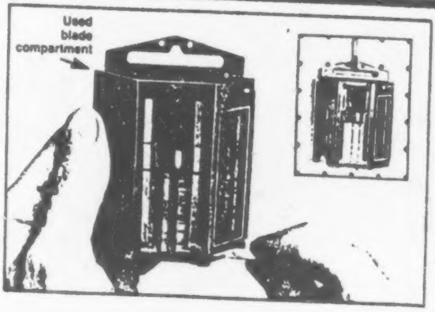
Plastic Dispenser
No. 01-304 (Carded)
No. 01-304B (Boxed)

A & G .025 Utility Knife Blades
Bulk
No. 02-301
900 blades per box
Packed 4 boxes per master

100 Pack
No. 02-302
Packed 30 100 packs per master

Carded
No. 02-303

Plastic Dispenser
No. 02-304 (Carded)
No. 02-304B (Boxed)



- Holds any type of standard length blade 1, 2, 3, or 4 notch or hooks
- Dispenses one blade at a time from bottom
- Slider action to insure proper dispensing
- Used blade compartment on top of dispenser
- Can be hung on peg board or compacted for tool box storage
- Can dispense either .018 or .025 blades
- Holds 100 blades

Utility Knife Blades

PRIVATE BRANDING ON REQUEST

Bulk	100 Pack	Carded	Plastic Dispenser
Blades in rows, no seperation	20 packs of 5's	5 blades per card/10 cards per box 60 boxes per master	100 individual blades 30 dispensers per master

GE .018 Utility Knife Blades

Bulk
No. 01-501
1560 blades per box
Packed 4 boxes per master

100 Pack
No. 01-502
Packed 40 100 packs per master

Carded
No. 01-503

Plastic Dispenser
No. 01-504 (Carded)
No. 01-504B (Boxed)

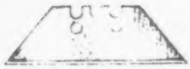
EV .018 Utility Knife Blades

Bulk
No. 01-601
1300 blades per box
Packed 4 boxes per master

100 Pack
No. 01-602
Packed 40 100 packs per master

Carded
No. 01-603

Plastic Dispenser
No. 01-604 (Carded)
No. 01-604B (Boxed)



UN .018 Utility Knife Blades

Bulk
No. 01-701
1300 blades per box
Packed 4 boxes per master sstar

100 Pack
No. 01-702
Packed 40 100 packs per master

Carded
No. 01-703

Plastic Dispenser
No. 01-704 (Carded)
No. 01-704B (Boxed)

GE .025 Utility Knife Blades

Bulk
No. 02-501
1080 blades per box
Packed 4 boxes per master

100 Pack
No. 02-502
Packed 30 100 packs per master

Carded
No. 02-503

Plastic Dispenser
No. 02-504 (Carded)
No. 02-504B (Boxed)

EV .025 Utility Knife Blades

Bulk
No. 02-601
900 blades per box
Packed 4 boxes per master

100 Pack
No. 02-602
Packed 30 100 packs per master

Carded
No. 02-603

Plastic Dispenser
No. 02-604 (Carded)
No. 02-604B (Boxed)

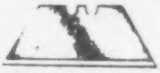
UN .025 Utility Knife Blades

Bulk
No. 02-701
1080 blades per box
Packed 4 boxes per master

100 Pack
No. 02-702
Packed 30 100 packs per master

Carded
No. 02-703

Plastic Dispenser
No. 02-704 (Carded)
No. 02-704B (Boxed)



AR #1991 Utility Knife Blades

Bulk
No. 01-401
1560 blades per box
Packed 4 boxes per master

100 Pack
No. 01-402
Packed 40 100 packs per master

Carded
No. 01-403

Plastic Dispenser
No. 01-404 (Carded)
No. 01-404B (Boxed)

AR #1992 Utility Knife Blades

Bulk
No. 02-401
900 blades per box
Packed 4 boxes per master

100 Pack
No. 02-402
Packed 30 100 packs per master

Carded
No. 02-403

Plastic Dispenser
No. 02-404 (Carded)
No. 02-404B (Boxed)

HY-025 Utility Knife Blades

Bulk
No. 02-2001
900 blades per box
Packed 4 boxes per master

100 Pack
No. 02-2002
Packed 30 100 packs per maste

Carded
No. 02-2003

Plastic Dispenser
No. 02-804 (Carded)
No. 02-804B (Boxed)

Single Edge Industrial Blades & Knives

Single Edge Industrial Blades
No. 04-1302
SE #9
100 Pack
100 blades per box
Packed 5000 blades per master

No. 05-1402 Heavy Duty
SE #12
100 Pack
100 blades per box
Packed 5000 blades per master

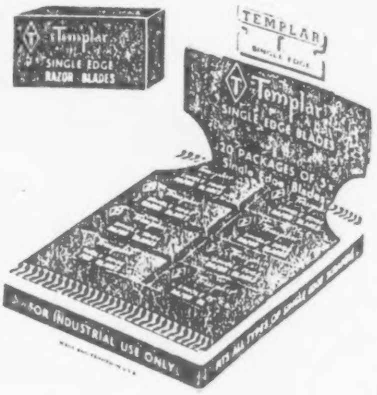
Single Edge Industrial Blades (No notch)
No. 06-1502
SE #9NN
100 Pack
100 blades per box
Packed 5000 blades per master

No. 07-1602
SE # 12 NN
100 Pack
100 blades per carton
Packed 5000 blades per master

- All blades supplied with steel back
- Weight per 5M — 40 lb. steel back
- Stainless steel single edge blades available — Prices upon request
- Aluminum backed blades available upon request

Smith Single Edge Blades
No. 11-2010
10 Pack/2 tucks of 5's
10 cards per box
400 cards per master

Single Edge Blade Dispenser
No. 11-2050
10 tucks of 5's
(50 blades per dispenser)
100 dispensers per master

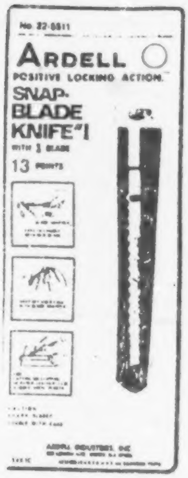


Smith Single Edge Blades
No. 08-1702
20 tucks of 5's (100 blades per carton)
50 cartons per master

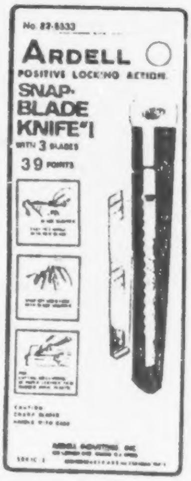
Smith Export 20/5's
No. 10-1902
20 tucks of 5's (100 blades per carton)
36 cartons per master
Each blade individually wrapped

Templar Single Edge Blades
No. 09-1802
20 tucks of 5's (100 blades per carton)
50 cartons per master

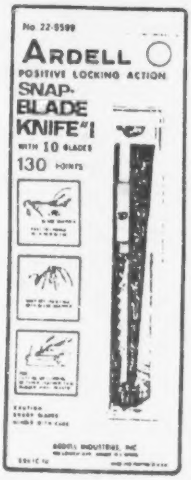
Snap-Blades Knives with Positive Locking Action



Positive Locking Action Snap Blade Knife
Carded
No. 22-5511
1 per card
10 cards per box
15 boxes per master



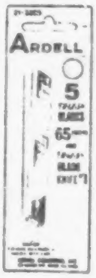
Positive Locking Action Snap Blade Knife
Carded
No. 22-5533
1 per card
10 cards per box
15 boxes per master



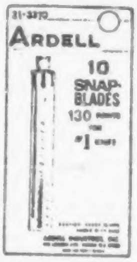
Positive Locking Action Snap Blade Knife
Carded
No. 22-5599
1 per card
12 cards per box
10 boxes per master

for

Fits 21 & 22 series

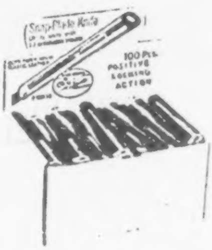


Snap Blade Knife Replacement Blades
Carded
No. 21-3206
5 blades per card
10 cards per box
60 boxes per master



Snap Blade Knife Replacement Blades
Tubed on Card
No. 21-3210
10 blades per card
10 cards per box
10 boxes per master

Snap Blade Knife Replacement Blades
Tubed
No. 21-3200
10 blades per tube
100 tubes per master

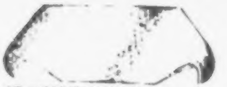


Positive Locking Action Snap Blade Knife
Display Carton
No. 22-5500
100 knives to a carton
1000 per master

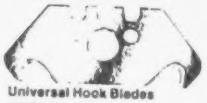
Hook Blades

PRIVATE BRANDING ON REQUEST

Mat Cutter Blades

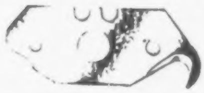


AR #1996 Hook Blades
100 Pack
No. 02-902
20 packs of 5's
Packed 30 100 packs per master
Carded
No. 02-903
5 blades per card 10 cards per box
60 boxes per master
Plastic Dispenser
No. 02-904 (Carded)
No. 02-904B (Boxed)



Universal Hook Blades
100 Pack
No. 02-1002
20 packs of 5's
Packed 30 100 packs per master
Carded
No. 02-1003
5 blades per card/10 cards per box
60 boxes per master
Plastic Dispenser
No. 02-1004 (Carded)
No. 02-1004B (Boxed)

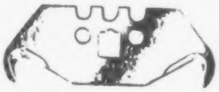
Deep Throat Hooks



100 Pack
No. 02-1302

Carded
No. 02-1303

Plastic Dispenser
No. 02-1304 (Carded)
No. 02-1304B (Boxed)

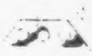


100 Pack
No. 02-1402

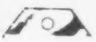
Carded
No. 02-1403

Plastic Dispenser
No. 02-1404 (Carded)
No. 02-1404B (Boxed)

Mini Blades



Mini 3 Hole
Bulk
No. 01-1101
100 Pack
No. 01-1102
Carded
No. 01-1103



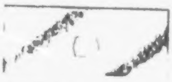
Mini 1 Hole
Bulk
No. 01-1201
100 Pack
No. 01-1202
Carded
No. 01-1203

Bulk
2350 blades per box
18,800 blades per master

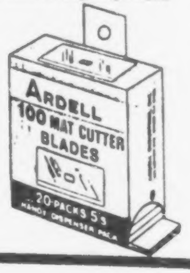
100 Pack
100 blades per pack
50 packs per master

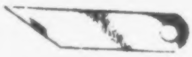
Carded
5 blades per card/10 cards per box
60 boxes per master

Mat Blades
1⅝" Length
1⅝" x .012 (Bright) No. 15-2501
1⅝" x .015 (Blue) No. 16-2502
1⅝" x .015 (Bright) No. 16-2503
1⅝" x .017 (Blue) No. 17-2604
1⅝" x .017 (Bright) No. 17-2605
All of the above numbers
100 Pack-20 packs of 5's
Packed 50 100 packs per master



Mat Blades
1½" Length
1½" x .012 (Bright) No. 15-2506
1½" x .015 (Blue) No. 14-2302
1½" x .015 (Bright) No. 14-2303
1½" x .017 (Blue) No. 18-2404
1½" x .017 (Bright) No. 18-2505
All of the above numbers
100 Pack-20 packs of 5's
Packed 50 100 packs per master





#3 For Dexter Knife
100 Pack
No. 13-2202
Packed 10 100 packs per master
Tubed
No. 13-2205
5 blades per tube
Packed 200 tubes per master

Wallscraper Handle and Blades

PRIVATE BRANDING ON REQUEST

Regular Wallscraper Blades

100 Pack
3¼" (3¼" x 9/16" x .015)
No. 44-1315
100 wax wrapped blades
30-100 packs per master

4" (4" x 9/16" x .015)
No. 44-1415
100 wax wrapped blades
30-100 packs per master

Carded
3¼" (3¼" x 9/16" x .015)
No. 44-3315
5 blades per card
10 cards per box
60 boxes per master

4" (4" x 9/16" x .015)
No. 44-4415
5 blades per card
10 cards per box
60 boxes per master

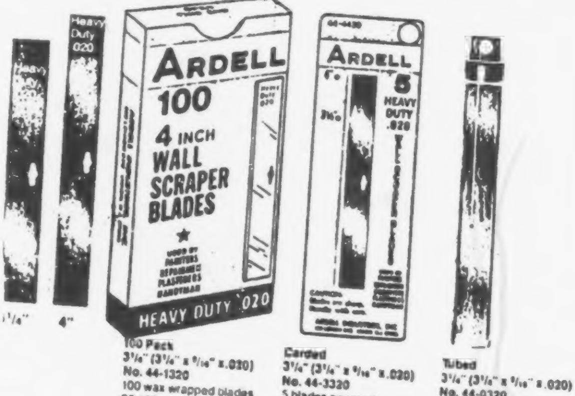
Tubed
3¼" (3¼" x 9/16" x .015)
No. 44-0315
10 blades per tube
100 tubes per master

4" (4" x 9/16" x .015)
No. 44-0415
10 blades per tube
100 tubes per master

4" Wallscraper Handle

Bulk
No. 44-1133
70 per master

Heavy Duty Wallscraper Blades



100 Pack
3¼" (3¼" x 9/16" x .020)
No. 44-1320
100 wax wrapped blades
30-100 packs per master

4" (4" x 9/16" x .020)
No. 44-1420
100 wax wrapped blades
30-100 packs per master

Carded
3¼" (3¼" x 9/16" x .020)
No. 44-3320
5 blades per card
10 cards per box
60 boxes per master

4" (4" x 9/16" x .020)
No. 44-4420
5 blades per card
10 cards per box
60 boxes per master

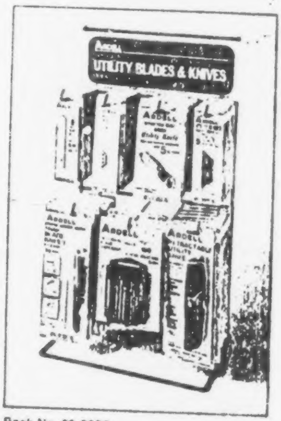
Tubed
3¼" (3¼" x 9/16" x .020)
No. 44-0320
10 blades per tube
100 tubes per master

4" (4" x 9/16" x .020)
No. 44-0420
10 blades per tube
100 tubes per master

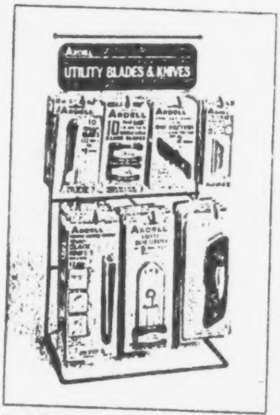
Carded
No. 44-0033
10 per box
60 per master

Your choice
wall or cou
fo
Do-it-
Ma

Rack No. 99-0001
20 No 21-3205 — 13 Point Snap Blades (5 s)
10 No 11-2010 — Single Edge Blades (10 s)
10 No 55-0033 — Front End Loading Mini Knife
20 No 02-403 — AR 1992 Blades (5 s)
10 No 22-5533 — Snap Blade Knife & 3 Blades
10 No 33-6605 — Scraper & 5 Blades
10 No 55-0099 — All Metal Retractable Utility Knife



Rack No. 99-0002
20 No 21-3205 — 13 Point Snap Blades (5 s)
10 No 01-1103 — Mini Knife Blades (5 s)
10 No 55-0022 — Metal Mini Knife
20 No 02-403 — AR 1992 Blades (5 s)
10 No 22-5533 — Snap Blade Knife & 3 Blades
2 No 02-404 — AR 1992 in Plastic Dispenser (100 s)
10 No 55-0099 — All Metal Retractable Utility Knife



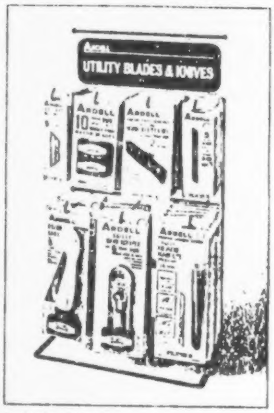
Rack No. 99-0003
10 No 21-3210 — 13 Point Snap Blades (10 s)
10 No 11-2010 — Single Edge Blades (10 s)
10 No 55-0033 — Front End Loading Mini Knife
20 No 02-403 — AR 1992 Blades (5 s)
10 No 22-5511 — 13 Point Snap Blade Knife
10 No 33-6605 — Scraper & 5 Blades
10 No 55-0044 — Front End Loading Utility Knife

Rack No. 99-0004
20 No 21-3205 — 13 Point Snap Blades (5 s)
10 No 11-2010 — Single Edge Blades (10 s)
10 No 55-0033 — Front End Loading Mini Knife
20 No 02-403 — AR 1992 Blades (5 s)
10 No 22-5533 — Snap Blade Knife & 3 Blades
10 No 12-2103 — Razor Knife & 5 Blades
10 No 55-0044 — Front End Loading Utility Knife

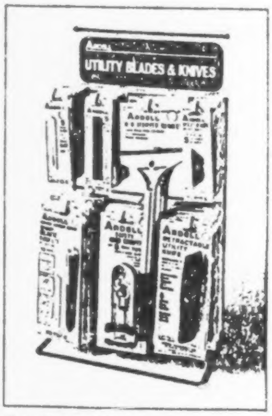
f 8 exciting
r displays
e
rself
et

Rack No. 99-0005
10 No 44-4420— 4" Heavy Duty Scraper Blades (5's)
20 No 01-1103— Mini Knife Blades (5's)
10 No 55-0033— Front End Loading Mini Knife
20 No 02-403 — AR 1992 Blades (5's)
10 No 55-0044— Front End Loading Utility Knife
2 No 02-404 — AR 1992 in Plastic Dispenser (100's)
10 No 55-0099— All Metal Retractable Utility Knife

Rack No. 99-0006
20 No 02-303 — A & G Utility Knife Blades (5's)
10 No 44-4420— 4" Heavy Duty Scraper Blades (5's)
10 No 21-3205— 13 Point Snap Blades (5's)
20 No 02-403 — AR 1992 Blades (5's)
10 No 55-0044— Front End Loading Utility Knife
10 No 22-5511— 13 Point Snap Blade Knife
10 No 55-0099— All Metal Retractable Utility Knife



Rack No. 99-0007
20 No 02-403 — AR 1992 Blades (5's)
10 No 11-2010— Single Edge Blades (10's)
10 No 55-0033— Front End Loading Mini Knife
20 No 21-3205— 13 Point Snap Blades (5's)
10 No 12-2103— Razor Knife & 5 Blades
10 No 33-6605— Scraper & 5 Blades
10 No 22-5533— Snap Blade Knife & 3 Blades

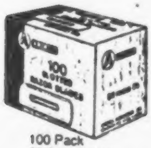


Rack No. 99-0008
20 No 21-3205— 13 Point Snap Blades (5's)
10 No 44-4420— 4" Heavy Duty Scraper Blades (5's)
4 No 44-0033— 4" Wallscraper Handles
20 No 02-403 — AR 1992 Blades (5's)
10 No 22-5533— Snap Blade Knife & 3 Blades
10 No 33-6605— Scraper & 5 Blades
10 No 55-0099— All Metal Retractable Utility Knife

Carpet Blades

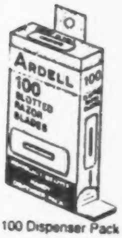
PRIVATE BRANDING ON REQUEST

Carpet blades are available in the following packaging as indicated for each blade



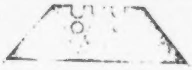
100 Pack
20 Packs of 5's

Tube



100 Dispenser Pack

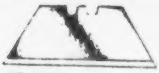
100 Dispenser Pack
Heavy Duty



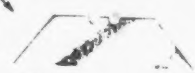
UN .018 Carpet Blades
Tubed
No. 01-705
10 blades per tube
Packed 100 tubes per master

UN .025 Carpet Blades
Tubed
No. 02-705
10 blades per tube
Packed 100 tubes per master

Other packing available. See page 3 for Bulk, 100 Pack, Carded & Plastic Dispenser

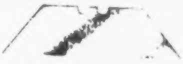


AR #1991
Tubed
No. 01-405
10 blades per tube
Packed 100 tubes per master



AR #1992
Tubed
No. 02-405
10 blades per tube
Packed 100 tubes per master

JS-025 utility knife blade
100 Pack
No. 02-802
20 pack of 5's
Packed 30-100 packs per master
Tubed
No. 02-805
10 blades per tubes
100 tubes per master

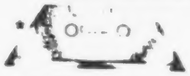


.036 extra heavy stainless
Tubed
No. 77-1905
10 per tube
100 tubes per master
Other packing upon request

AR #1996 Hook Blades
100 Pack
No. 02-902
20 packs of 5's
Packed 30-100 packs per master
Tubed
No. 02-905
5 blades per tube
Packed 100 tubes per master

UN Hook Blades
100 Pack
No. 02-1002
20 packs of 5's
Packed 30-100 packs per master
Tubed
No. 02-1005
5 blades per tube
Packed 100 tubes per master

Trimmer
100 Pack
No. 77-1302
20 packs of 5's
Packed 40-100 packs per master
Tubed
No. 77-1305
10 blades per tube
Packed 100 tubes per master



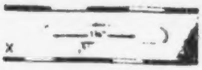
Tay Double Bevel
100 Pack
No. 77-1402
20 packs of 5's
Packed 40-100 packs per master
Tubed
No. 77-1405
10 blades per tube
Packed 100 tubes per master

*Available in Plastic Dispenser upon request

Carpet Blades

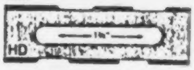
PRIVATE BRANDING ON REQUEST

LONG SLOTTED (1¾")

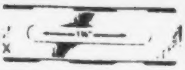


Square End Long Slotted Blades (Regular .015)
100 Pack
No. 77-6656
20 packs of 5's
50-100 packs per master
Tubed
No. 77-6655
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-6654
100 individually wrapped blades per dispenser
50 dispensers per master

Blue

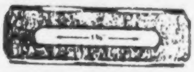


Square End Long Slotted Blades (Heavy Duty .017)
100 Pack
No. 77-8856
20 packs of 5's
50-100 packs per master
Tubed
No. 77-8855
100 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-8854
100 individually wrapped blades per dispenser
50 dispensers per master



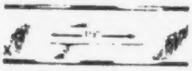
Rounded Corner Long Slotted Blades (Regular .015)
100 Pack
No. 77-6653
20 packs of 5's
50-100 packs per master
Tubed
No. 77-6652
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-6651
100 individually wrapped blades per dispenser
50 dispensers per master

Blue



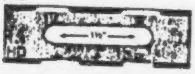
Rounded Corner Long Slotted Blades (Heavy Duty .017)
100 Pack
No. 77-8853
20 packs of 5's
50-100 packs per master
Tubed
No. 77-8852
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-8851
100 individually wrapped blades per dispenser
50 dispensers per master

SHORT SLOTTED (1½")

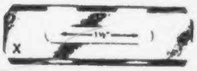


Square End Short Slotted Blades (Regular .015)
100 Pack
No. 77-6606
20 packs of 5's
50-100 packs per master
Tubed
No. 77-6605
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-6604
100 individually wrapped blades per dispenser
50 dispensers per master

Blue

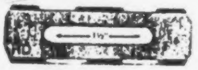


Square End Short Slotted Blades (Heavy Duty .017)
100 Pack
No. 77-8806
20 packs of 5's
50-100 packs per master
Tubed
No. 77-8805
10 per tube
100 tubes per master
100 Dispenser Box
No. 77-8804
100 individually wrapped blades per dispenser
50 dispensers per master



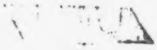
Rounded Corner Short Slotted Blades (Regular .015)
100 Pack
No. 77-6603
20 packs of 5's
50-100 packs per master
Tubed
No. 77-6602
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-6601
100 individually wrapped blades per dispenser
50 dispensers per master

Blue



Rounded Corner Short Slotted Blades (Heavy Duty .017)
100 Pack
No. 77-8803
20 packs of 5's
50-100 packs per master
Tubed
No. 77-8802
10 blades per tube
100 tubes per master
100 Dispenser Box
No. 77-8801
100 individually wrapped blades per dispenser
50 dispensers per master

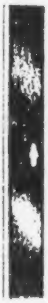
AR #25 For Airway Handle
Tubed
No. 77-1505
12 blades per tube
100 tubes per master



Strip Cutter Blades "R" Type for Roberts
Tubed
No. 77-1506
10 blades per tube
Packed 100 tubes per master

Strip Cutter Blades "CR" Type for Crain
Tubed
No. 77-1507
10 blades per tube
100 tubes per master

4" Regular Scraper Blade
100 Pack
No. 44-1415
100 wax wrapped
30-100 per master
Tubed
No. 44-0415
10 per tube
Packed 100 tubes per master

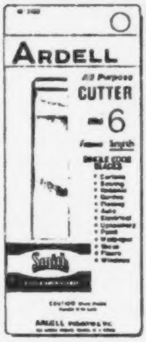


4" Heavy Duty Scraper Blade
100 Pack
No. 44-1420
100 wax wrapped
30-100 packs per master
Tubed
No. 44-0420
10 per tube
Packed 100 tubes per master

Single Edge Blade Knives

PRIVATE BRANDING ON REQUEST

Razor Knife with 5 single edge blades
No. 12-2103
Carded
1 per card
10 cards per box
12 boxes per master
Bulk
No. 12-2100
100 per master



Handy Cutter Knife with 6 single edge blades
No. 18-3103
Carded
1 per card
10 cards per box
15 boxes per master

Bulk
No. 18-3100
12 per box
144 per master

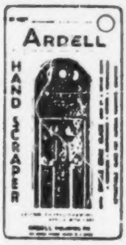
Coupon Clipper

Carded
No. 85-0123
1 per card
10 cards per box
40 boxes per master

Bulk
No. 85-1123
200 per master

Scrapers

Scraper (No blade)
Bulk
No. 33-6600
300 per master



Scraper with 1 Blade
Carded
No. 33-6601
10 per box
15 boxes per master

Scraper with 5 Blades
Carded
No. 33-6605
10 per box
15 boxes per master

Scraper with 10 Blades
Carded
No. 33-6810
12 per box
8 boxes per master

Utility Knife Handles and Mini Knife Handles

Takes all utility knife blades

Push button to rear for spare blades.

Front End Loading Utility Knife (Retractable)

Plastic Button

Bulk
No. 55-1144
With 2 blades
100 per master

Carded
No. 55-0044
With 2 (.025) blades
10 per box
12 boxes per master

Takes all utility knife blades

All Metal Utility Knife (Retractable)

Metal Button

Bulk
No. 55-1199
With 5 blades
100 Per Master

Carded
No. 55-0099
With 5 (.025) blades
10 per box
12 boxes per master

Takes blades with 1 or 3 holes

Push button to rear for spare blades.

Front End Loading Mini Knife (Retractable)

Bulk
No. 55-1133
With 2 blades
100 per master

Carded
No. 55-0033
With 2 blades
10 per box
15 boxes per master

Mini Knife (Retractable)

Bulk
No. 55-1122
With 5 blades
100 per master

Carded
No. 55-0022
With 5 blades
10 per box
15 boxes per master

Plastic Utility Knife (Regular)

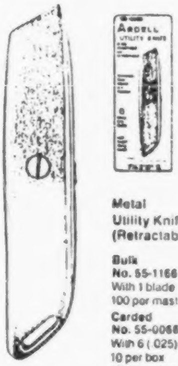
Bulk
No. 55-1111
With 1 blade
100 per master

Carded
No. 55-0011
With 5 (.025) blades
10 per box
12 boxes per master

Metal Utility Knife (Regular)

Bulk
No. 55-1155
With 1 blade
100 per master

Carded
No. 55-0055
With 5 (.025) blades
10 per box
12 boxes per master



Metal Utility Knife (Retractable)

Bulk
No. 55-1166
With 1 blade
100 per master

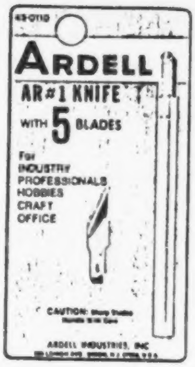
Carded
No. 55-0066
With 6 (.025) blades
10 per box
12 boxes per master

Hobby Handles and Blades

PRIVATE BRANDING ON REQUEST

Handle #1
Bulk
N. [illegible]5-0001
50 per box
2 boxes per master

Handle #2
Bulk
No. 45-0002
50 per box
2 boxes per master



Handle #1
with 5 (45-111 blades)
Carded
No. 45-0110
12 cards per box
6 boxes per master

Handle #1
with 5 (45-111 blades)
Tubed
No. 45-0111
100 per master

Handle #2
with 5 (45-119 blades)
Tubed
No. 45-0219
100 per master

Handle #2
with 5 (45-124 blades)
Tubed
No. 45-0224
100 per master

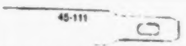
All blades available — 100 Pack, Carded, or Tubed

100 Pack

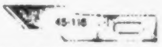
Tubed

Carded

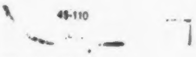
100 Pack	Tubed	Carded
100 blades per box	5 blades per tube	5 blades per card
50 boxes per master	100 tubes per box	10 cards per box
	2 boxes per master	60 boxes per master



No. 45-111P (100 Pack)
No. 45-111C (Carded)
No. 45-111T (Tubed)

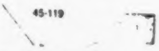


No. 45-116P (100 Pack)
No. 45-116C (Carded)
No. 45-116T (Tubed)



No. 45-110P (100 Pack)
No. 45-110C (Carded)
No. 45-110T (Tubed)

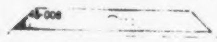
No. 45-117P (100 Pack)
No. 45-117C (Carded)
No. 45-117T (Tubed)



No. 45-119P (100 Pack)
No. 45-119C (Carded)
No. 45-119T (Tubed)

45-124

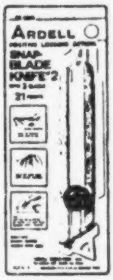
No. 45-124P (100 Pack)
No. 45-124C (Cardod)
No. 45-124T (Tubed)



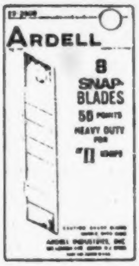
No. 45-008P (100 Pack)
No. 45-008C (Carded)
No. 45-008T (Tubed)

No. 45-008BP (100 Pack)
No. 45-008BC (Carded)
No. 45-008BT (Tubed)

Heavy Duty Snap Blade Knives



Heavy Duty
Snap Blade Knife
Carded
No. 22-3503
1 per card
12 cards per box
6 boxes per master
Bulk
No. 22-3500
144 per master



Heavy Duty
Snap Blade Knife
Replacement Blades
Carded
No. 22-3508
8 blades per card
10 cards per box
10 boxes per master

Heavy Duty
Snap Blade Knife
Replacement Blades
Tubed
No. 22-3510
10 blades per tube
100 tubes per master

Schick Blades

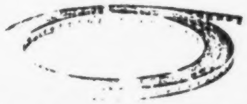
Schick Blades
Carbon Steel
1 hole .010 No. 68-0101
2 hole .010 No. 68-0102
3 hole .010 No. 68-0103
Carbon Steel
1 hole .012 No. 69-0121
2 hole .012 No. 69-0122
3 hole .012 No. 69-0123
Stainless Steel
1 hole .010 No. 70-1101
2 hole .010 No. 70-1102
3 hole .010 No. 70-1103

All Blades, Bulk Packed
All .010 packed 1,200 per box
12 boxes per master
All .012 packed 1,000 per box
10 boxes per master

Strip Steel

IN COIL FORM—UNTREATED

Steel strips are available in unhardened, unground condition for special purposes. Supplied in one continuous length.



IN COIL FORM—HARDENED and GROUND

Standard strip hardness for carbon steel strip is approximately RC 60-62. For stainless steel: RC 58-60

Special Orders: Chisel edges, annealing, special temper, etc. are available. Specify Rockwell hardness range required.

Furrier Blades

Hammer Brand
No. 30-8500
Each blade ind. wrapped
200 blades per box
50 boxes per master

Crafts Brand
No. 30-7500
Each blade ind. wrapped
200 blades per box
50 boxes per master

Plexiglas Blade

Carded
No. 41-3005
5 per card
10 cards per box
60 boxes per master

Bulk
No. 41-3000
1530 per box

Cutto Type

Single Edge Cutto (1¾" long)
100 Pack
No. 17-2605
20 packs of 5's
40-100 packs per master
Double edge available upon request

[illegible]
P.O. Box 1573 • 555 Lehigh Ave. • Union, N.J. 07083-1573 • N.J. (201) 687-5900 • N.Y. (212) 964-1797

Distributor Price List

Freight: F.O.B. Union, N.J.
Minimum Order: $150.00
All orders subject to approval
Prices subject to change without notice
Effective August 1, 1981

Pg. 2

Cat. No.	Description	Packing	Price	Sugg. Retail
01-101	UT .018	1-6 boxes	$55.93/box	
	Bulk	7-16 boxes	53.74/box	
	1560 Blades	17-32 boxes	49.92/box	
	Per Box	33-64 boxes	48.20/box	
		65-Up boxes	47.35/box	
01-102	UT .018	10-99 packs	4.52/pack	11.99
	100 Pack	100-249 packs	4.36/pack	
		250-499 packs	3.75/pack	
		500-999 packs	3.48/pack	
		1000-Up packs	3.37/pack	
01-103	UT .018	200-1999 cards	.32/card	.89
	Carded	2000-4999 cards	.27/card	
		5000-9999 cards	.25/card	
		10,000-19,999 cards	.24/card	
		20,000-Up cards	.23/card	
01-104	UT .018	10-100 disp.	5.32/disp.	13.99
	Plastic	101-250 disp.	5.16/disp.	
	Disp.	251-500 disp.	4.55/disp.	
		501-1000 disp.	4.28/disp.	
		1001-Up disp.	4.17/disp.	
02-101	UT .025	1-9 boxes	42.28/box	
	Bulk	10-23 boxes	41.09/box	
	1080 Blades	24-46 boxes	38.72/box	
	Per Box	47-92 boxes	37.21/box	
		93-Up boxes	36.61/box	
02-102	UT .025	10-99 packs	4.85/pack	13.99
	100 Pack	100-249 packs	4.71/pack	
		250-499 packs	4.11/pack	
		500-999 packs	3.83/pack	
		1000-Up packs	3.72/pack	
02-103	UT .025	200-1999 cards	.34/card	1.09
	Carded	2000-4999 cards	.285/card	
		5000-9999 cards	.27/card	
		10,000-19,999 cards	.26/card	
		20,000-Up cards	.25/card	
02-104	UT .025	10-100 disp.	5.65/disp.	15.99
	Plastic	101-250 disp.	5.51/disp.	
	Disp.	251-500 disp.	4.91/disp.	
		501-1000 disp.	4.63/disp.	
		1001-Up disp.	4.52/disp.	
01-201	AP .018	1-6 boxes	$58.50/box	
	Bulk	7-16 boxes	56.78/box	
	1560 Blades	17-32 boxes	52.88/box	
	Per Box	33-64 boxes	51.17/box	
		65-Up boxes	49.92/box	
01-202	AP .018	10-99 packs	4.69/pack	11.99
	100 Pack	100-249 packs	4.55/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.67/pack	
		1000-Up packs	3.53/pack	
01-203	AP .018	200-1999 cards	.33/card	.89
	Carded	2000-4999 cards	.275/card	
		5000-9999 cards	.26/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
01-204	AP .018	10-100 disp.	5.49/disp.	13.99
	Plastic	101-250 disp.	5.35/disp.	
	Disp.	251-500 disp.	4.74/disp.	
		501-1000 disp.	4.47/disp.	
		1001-Up disp.	4.33/disp.	

Cat. No.	Description	Packing	Price	Sugg. Retail
02-201	AP .025	1-9 boxes	44.06/box	
	Bulk	10-23 boxes	43.15/box	
	1080 Blades	24-46 boxes	40.50/box	
	Per Box	47-92 boxes	39.31/box	
		93-Up boxes	38.72/box	
02-202	AP .025	10-99 packs	5.02/pack	13.99
	100 Pack	100-249 packs	4.90/pack	
		250-499 packs	4.30/pack	
		500-999 packs	4.03/pack	
		1000-Up packs	3.92/pack	
02-203	AP .025	200-1999 cards	.345/card	1.09
	Carded	2000-4999 cards	.29/card	
		5000-9999 cards	.275/card	
		10,000-19,999 cards	.265/card	
		20,000-Up cards	.255/card	
02-204	AP .025	10-100 disp.	5.82/disp.	15.99
	Plastic	101-250 disp.	5.70/disp.	
	Disp.	251-500 disp.	5.10/disp.	
		501-1000 disp.	4.83/disp.	
		1001-Up disp.	4.73/disp.	
01-301	AG .018	1-7 boxes	51.22/box	
	Bulk	8-19 boxes	49.79/box	
	1300 Blades	20-38 boxes	46.93/box	
	Per Box	39-76 boxes	45.18/box	
		77 Up boxes	44.46/box	
01-302	AG .018	10-99 packs	4.88/pack	11.99
	100 Pack	100-249 packs	4.74/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.89/pack	
		1000-Up packs	3.75/pack	
01-303	AG .018	200-1999 cards	.34/card	.89
	Carded	2000-4999 cards	.285/card	
		5000-9999 cards	.27/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
01-304	AG .018	10-100 disp.	5.68/disp.	13.99
	Plastic	101-250 disp.	5.54/disp.	
	Disp.	251-500 disp.	4.74/disp.	
		501-1000 disp.	4.69/disp.	
		1001-Up disp.	4.55/disp.	
02-301	AG .025	1-11 boxes	37.22/box	
	Bulk	12-27 boxes	36.45/box	
	900 Blades	28-55 boxes	34.75/box	
	Per Box	56-111 boxes	33.26/box	
		112-Up boxes	32.76/box	
02-302	AG .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1000-Up packs	3.97/pack	
02-303	AG .025	200-1999 cards	.35/card	1.09
	Carded	2000-4999 cards	.30/card	
		5000-9999 cards	.28/card	
		10,000-19,999 cards	.27/card	
		20,000-Up cards	.255/card	
02-304	AG .025	10-100 disp.	5.87/disp.	15.99
	Plastic	101-250 disp.	5.76/disp.	
	Disp.	251-500 disp.	5.16/disp.	
		501-1000 disp.	4.88/disp.	
		1001-Up disp.	4.77/disp.	

Pg. 3

Cat. No	Description	Packing	Price	Retail
01-401	AR 1991	1-6 boxes	$58.50/box	
	Bulk	7-16 boxes	56.78/box	
	1560 Blades	17-32 boxes	52.88/box	
	Per Box	33-64 boxes	51.17/box	
		65-Up boxes	49.92/box	
01-402	AR 1991	10-99 packs	4.69/pack	11.99
	100 Pack	100-249 packs	4.55/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.67/pack	
		1000-Up packs	3.53/pack	
01-403	AR 1991	200-1999 cards	.33/card	.89
	Carded	2000-4999 cards	.275/card	
		5000-9999 cards	.26/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
1-404	AR 1991	10-100 disp.	5.49/disp.	13.99
	Plastic	101-250 disp.	5.35/disp.	
	Disp.	251-500 disp.	4.74/disp.	
		501-1000 disp.	4.47/disp.	
		1001-Up disp.	4.33/disp.	
2-401	AR 1992	1-11 boxes	38.21/box	
	Bulk	12-27 boxes	37.71/box	
	900 Blades	28-55 boxes	35.46/box	
	Per Box	56-111 boxes	34.47/box	
		112-Up boxes	33.98/box	
2-402	AR 1992	10-99 packs	5.29/pack	13.99
	100 Pack	100-249 packs	5.21/pack	
		250-499 packs	4.60/pack	
		500-999 packs	4.33/pack	
		1000-Up packs	4.22/pack	
2-403	AR 1992	200-1999 cards	.36/card	1.09
	Carded	2000-4999 cards	.31/card	
		5000-9999 cards	.29/card	
		10,000-19,999 cards	.28/card	
		20,000-Up cards	.27/card	
2-404	AR 1992	10-100 disp.	6.09/disp.	15.99
	Plastic	101-250 disp.	6.01/disp.	
	Disp.	251-500 disp.	5.40/disp.	
		501-1000 disp.	5.13/disp.	
		1001-Up disp.	5.02/disp.	
-501	GE .018	1-6 boxes	$61.46/box	
	Bulk	7-16 boxes	59.75/box	
	1560 Blades	17-32 boxes	56.32/box	
	Per Box	33-64 boxes	54.21/box	
		65-Up boxes	53.35/box	
-502	GE .018	10-99 packs	4.88/pack	11.99
	100 Pack	100-249 packs	4.74/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.89/pack	
		1000-Up packs	3.75/pack	
-503	GE .018	200-1999 cards	.34/card	.89
	Carded	2000-4999 cards	.285/card	
		5000-9999 cards	.27/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
-504	GE .018	10-100 disp.	5.68/disp.	13.99
	Plastic	101-250 disp.	5.54/disp.	
	Disp.	251-500 disp.	4.94/disp.	
		501-1000 disp.	4.69/disp.	
		1001-Up disp.	4.55/disp.	
-501	GE .025	1-9 boxes	44.66/box	
	Bulk	10-23 boxes	43.74/box	
	1080 Blades	24-46 boxes	41.09/box	
	Per Box	47-92 boxes	39.51/box	
		93-Up boxes	39.31/box	

Cat. No	Description	Packing	Price	Sugg. Retail
02-502	GE .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1000-Up packs	3.97/pack	
02-503	GE .025	200-1999 cards	.35/card	1.09
	Carded	2000-4999 cards	.30/card	
		5000-9999 cards	.28/card	
		10,000-19,999 cards	.27/card	
		20,000-Up cards	.255/card	
02-504	GE .025	10-100 disp.	5.87/disp.	15.99
	Plastic	101-250 disp.	5.76/disp.	
	Disp.	251-500 disp.	5.16/disp.	
		501-1000 disp.	4.88/disp.	
		1001-Up disp.	4.77/disp.	
01-601	EV .018	1-7 boxes	51.22/box	
	Bulk	8-19 boxes	49.79/box	
	1300 Blades	20-38 boxes	46.93/box	
	Per Box	39-76 boxes	45.18/box	
		77 Up boxes	44.46/box	
01-602	EV .018	10-99 packs	4.88/pack	11.99
	100 Pack	100-249 packs	4.74/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.89/pack	
		1000-Up packs	3.75/pack	
01-603	EV .018	200-1999 cards	.34/card	.89
	Carded	2000-4999 cards	.285/card	
		5000-9999 cards	.27/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
01-604	EV .018	10-100 disp.	5.68/disp.	13.99
	Plastic	101-250 disp.	5.54/disp.	
	Disp.	251-500 disp.	4.74/disp.	
		501-1000 disp.	4.69/disp.	
		1001-Up disp.	4.55/disp.	
02-601	EV .025	1-11 boxes	37.22/box	
	Bulk	12-27 boxes	36.45/box	
	900 Blades	28-55 boxes	34.25/box	
	Per Box	56-111 boxes	33.26/box	
		112-Up boxes	32.76/box	
02-602	EV .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1000-Up packs	3.97/pack	
02-603	EV .025	200-1999 cards	.35/card	1.09
	Carded	2000-4999 cards	.30/card	
		5000-9999 cards	.28/card	
		10,000-19,999 cards	.27/card	
		20,000-Up cards	.255/card	
02-604	EV .025	10-100 disp.	5.87/disp.	15.99
	Plastic	101-250 disp.	5.76/disp.	
	Disp.	251-500 disp.	5.16/disp.	
		501-1000 disp.	4.88/disp.	
		1001-Up disp.	4.77/disp.	
01-701	UN .018	1-7 boxes	51.22/box	
	Bulk	8-19 boxes	49.79/box	
	1300 Blades	20-38 boxes	46.93/box	
	Per Box	39-76 boxes	45.18/box	
		77 Up boxes	44.46/box	
01-702	UN .018	10-99 packs	4.88/pack	11.99
	100 Pack	100-249 packs	4.74/pack	
		250-499 packs	3.94/pack	
		500-999 packs	3.89/pack	
		1000-Up packs	3.75/pack	

[illegible]g. 3

01-703	UN .018	200-1999 cards	.34/card	.89
	Carded	2000-4999 cards	.285/card	
		5000-9999 cards	.27/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
01-704	UN .018	10-100 disp.	5.68/disp	13.99
	Plastic	101-250 disp.	5.54/disp.	
	Disp	251-500 disp.	4.74/disp.	
		501-1000 disp.	4.69/disp.	
		1001-Up disp.	4.55/disp.	
02-701	UN .025	1-9 boxes	37.22/box	
	Bulk	10-23 boxes	36.45/box	
	1080 Blades	24-46 boxes	34.25/box	
	Per Box	47-92 boxes	33.26/box	
		93-Up boxes	32.76/box	
02-702	UN .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1000 Up packs	3.97/pack	
02-703	UN .025	200-1999 cards	.35/card	1.09
	Carded	2000-4999 cards	.30/card	
		5000-9999 cards	.28/card	
		10,000-19,999 cards	.27/card	
		20,000-Up cards	.255/card	

02-704	UN .025	10-100 disp	5.87/disp	15.99
	Plastic	101-250 disp	5.76/disp.	
	Disp.	251-500 disp	5.16/disp	
		501-1000 disp.	4.88/disp	
		1001-Up disp	4.77/disp	
02-2001	HY .025	1-11 boxes	37.22/box	
	Bulk	12-27 boxes	36.45/box	
	900 Blades	28-55 boxes	34.25/box	
	Per Box	56-111 boxes	33.26/box	
		112-Up boxes	32.76/box	
02-2002	HY .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1000-Up packs	3.97/pack	
02-2003	HY .025	200-1999 cards	.35/card	1.09
	Carded	2000-4999 cards	.30/card	
		5000-9999 cards	.28/card	
		10,000-19,999 cards	.27/card	
		20,000-Up cards	.255/card	
02-2004	HY .025	10-100 disp.	5.87/disp.	15.99
	Plastic	101-250 disp.	5.76/disp.	
	Disp.	251-500 disp.	5.16/disp.	
		501-1000 disp.	4.88/disp.	
		1001-Up disp.	4.77/disp.	

Pg. 4

04-1302	Single Edge #9	5M-9M	23.30/M
	100 pack	10M-24M	19.60/M
		25M-49M	18.40/M
		50M-99M	17.05/M
		100M-Up	16.40/M
05-1402	Single Edge #12	5M-9M	24.50/M
	100 pack	10M-24M	21.80/M
		25M-49M	19.60/M
		50M-99M	18.30/M
		100M-Up	17.60/M
06-1502	Single Edge #9	5M-9M	24.50/M
	No Notch	10M-24M	22.55/M
	100 Pack	25M-49M	19.80/M
		50M-99M	18.50/M
		100M-Up	17.80/M
07-1602	Single Edge #12	5M-9M	25.70/M
	No Notch	10M-24M	23.85/M
	100 Pack	25M-49M	21.05/M
		50M-99M	19.70/M
		100M-Up	19.00/M

11-2050	Single Edge Disp.	100-300 disp.	2.40/disp.	6.50
	10/5's	301-600 disp.	2.25/disp.	
		601-Up disp.	2.10/disp.	
11-2010	Single Edge Card	400-799 cards	.37/card	1.09
	10 Pack	800-1,199 cards	.36/card	
		1,200-Up cards	.34/card	
08-1702	Single Edge Smith	10-99 ctns.	3.50/ctn.	11.00
	Carton 20/5's	100-Up ctns.	3.00/ctn.	
09-1802	Single Edge	10-99 ctns.	3.50/ctn	11.00
	Templar	100-Up ctns.	3.00/ctn	
	Carton 20/5's			
10-1902	Single Edge Smith	10-99 ctns.	4.00/ctn.	
	Export Carton	100-Up ctns.	3.50/ctn.	
	20/5's			

Pg. 5

22-6500	Snap Blade Knife	100-999 Bulk	.45 each	1.09
	Bulk	1,000-Up	.40 each	
22-5511	Snap Blade Knife	10-Up	.55 each	1.39
	Carded			
~~22-5533~~	~~Snap Blade Knife~~	~~10-Up~~	~~.65 each~~	~~1.89~~
	~~& 3 Blades Carded~~			
22-5500	Snap Blade Knife	12-Up	1.30/card	2.89
	& 10 Blades			
	Carded			

21-3205	13 Point	200-Up Cards	.40/card	1.09
	Carded 5's			
21-3210	13 Point	100-Up Cards	.90/card	2.19
	Carded 10's		SU E[illegible]	
21-3200	Tube 10's	100-Up Tubes	.80/tube	1.99

Pg. 6

02-902	AR 1996	10-Up Packs	14.80/pack	39.50
	100 Pack			
	Hook			
02-903	AR1996 Carded	200-Up Cards	.85/card	2.19
	Hook			

02-904	AR 1996	10-Up Disp.	15.80/disp.	45.00
	Plastic disp.			
	Hook			
02-1002	UN Hook	10-Up packs	13.70/pack	36.99
	100 Pack			

Pg. 6

Cat. No.	Description	Packing	Price	Sugg. Retail
02-1003	UN Hook Carded	200-Up cards	.80/card	2.09
02-1004	UN Hook Plastic Disp.	10-Up disp	14.70/disp.	42.99
02-1302	2 Notch Deep Throat Hook 100 Pack	10-Up packs	14.80/pack	39.50
02-1303	2 Notch Deep Throat Hook Carded	200-Up cards	.85/card	2.19
02-1304	2 Notch Deep Throat Hook Plastic Disp.	10-Up disp.	15.80/disp.	45.00
02-1402	3 Notch Deep Throat Hook 100 pack	10-Up packs	14.80/pack	39.50
02-1403	3 Notch Deep Throat Hook Carded	200-Up cards	.85/card	2.19
02-1404	3 Notch Deep Throat Hook Plastic Disp.	10-Up disp.	15.80/disp.	45.00
01-1101	Mini 3 Hole	1-4 boxes	84.60/box	
	Bulk	5-10 boxes	70.50/box	
	2350 Blades	11-21 boxes	63.45/box	
	Per Box	22-42 boxes	59.93/box	
		43-Up boxes	56.40/box	

Cat. No.	Description	Packing	Price	Sugg. Retail
01-1201	Mini 1 Hole Bulk	Same as price 01-1101		
01-1102	Mini 3 Hole	10-99 packs	4.52/pack	11.99
	100 Pack	100-249 packs	4.38/pack	
		250-499 packs	3.75/pack	
01-1202	Mini 1 Hole 100 Pack	Same price as 01-1102		
01-1103	Mini 3 Hole	200-1,999 cards	.30/card	.89
	Carded	2,000-4,999 cards	.27/card	
		5,000-9,999 cards	.26/card	
		10,000-19,999 cards	.25/card	
		20,000-Up cards	.24/card	
01-1203	Mini 1 Hole Carded	Same price as 01-1103		
15-2501	1¾x.012 Bright			
16-2502	1¾x.015 Blue			
16-2503	1¾x.015 Bright	10-99 packs	3.55/pack	
17-2604	1¾x.017 Blue	100-249 packs	3.45/pack	
17-2605	1¾x.017 Bright	250-999 packs	3.05/pack	
15-2506	1½x.012 Bright	1,000-Up packs	3.00/pack	
14-2302	1½x.015 Blue			
14-2303	1½x.015 Bright			
16-2404	1½x.017 Blue			
16-2505	1½x.017 Bright			
13-2202	#3 Dexter 100 Pack	10-Up packs	6.50/pack	
13-2205	#3 Dexter Tubed	200-Up tubes	.35/tube	1.09

Pg. 7

44-1315	3¼x.015 100 Pack	10-Up packs	7.00/pack	16.99
44-1415	4x.015 100 Pack	10-Up packs	8.00/pack	18.99
44-3315	3¼x.015 Carded	200-Up cards	.50/card	1.39
44-4415	4x.015 Carded	200-Up cards	.55/card	1.59
44-0315	3¼x.015	100-999 tubes	.75/tube	1.79
	Tubed	1,000-Up tubes	.70/tube	
44-0415	4x.015	100-999 tubes	.85/tube	1.99
	Tubed	1,000-Up tubes	.80/tube	
44-1320	3¼x.020 100 Pack	10-Up packs	7.00/pack	16.99

44-1420	4x.020 100 Pack	10-Up packs	8.00/pack	18.99
44-3320	3¼x.020 Carded	200-Up cards	.50/card	1.39
44-4420	4x.020 Carded	200-Up cards	.55/card	1.59
44-0320	3¼x.020	100-999 tubes	.75/tube	1.79
	Tubed	1,000-Up tubes	.70/tube	
44-0420	4x.020	100-999 tubes	.85/tube	1.99
	Tubed	1,000-Up tubes	.80/tube	
44-1133	4" Wallscraper Bulk	70-Up	2.25 each	5.59
44-0033	4" Wallscraper Carded	60-Up	2.45 each	5.99

Pg. 8

99-0001	Display Rack # 1	48.00 each	130.10
99-0002	Display Rack # 2	56.38 each	152.18
99-0003	Display Rack # 3	44.00 each	117.20
99-0004	Display Rack # 4	43.90 each	122.10

Pg. 9

99-0005	Display Rack # 5	55.88 each	154.18
99-0006	Display Rack # 6	49.20 each	136.10
99-0007	Display Rack # 7	41.50 each	114.10
99-0008	Display Rack # 8	54.60 each	146.16

Pg. 10

01-705	UN .018 Tubed	100 tubes-Up	.57 each	
02-705	UN .025 Tubed	100 tubes-Up	.62 each	
01-405	AR 1991 Tubed	100 tubes-Up	.62 each	
02-403	AR 1992 Tubed	100 tubes-Up	.69 each	
77-1905	.035 Stainless Tubed	100 tubes-Up	1.00 each	

02-802	JS .025	10-99 packs	5.07/pack	13.99
	100 Pack	100-249 packs	4.96/pack	
		250-499 packs	4.36/pack	
		500-999 packs	4.08/pack	
		1,000-Up packs	3.97/pack	
02-805	JS .025 Tubed	100 tubes-Up	.65/tube	

(Continued)

Pg. 10 (Continued)

	Description	Packing	Price	Sugg. Retail
02-804	JS .025. Plastic Disp.	10-100 disp. 101-250 disp. 251-500 disp. 500-1,000 disp. 1,001-Up disp.	5.87/disp. 5.76/disp. 5.16/disp. 4.88/disp. 4.77/disp.	15.99
02-905	AR 1996 Tubed	100 tubes-Up	.85/tube	
02-1002	UN .025 Hook Tubed	100 tubes-Up	.80/tube	
77-1302	Trimmer 100 Pack	10-99 packs 100-249 packs 250-499 packs 500-999 packs 1,000-Up packs	4.39/pack 4.06/pack 3.51/pack 3.39/pack 3.28/pack	

Cat. No.	Description	Packing	Price	Sugg. Retail
77-1305	Trimmer Tubed	100 tubes-Up	.57/tube	
77-1422	Tay Double Bevel 100 Pack	10-99 packs 100-249 packs 250-499 packs 500-999 packs 1,000-Up packs	6.00/pack 5.60/pack 5.20/pack 4.70/pack 4.50/pack	
77-1405	Tay Double Bevel Tubed	100 tubes-Up	.75/tube	

Pg. 11

(100 Pack)

77-6656	Long Slot Sq. End .015	10-99 packs	4.15/pack
77-6653	Long Slot Rounded .015	100-249 packs	3.85/pack
77-6606	Short Slot Sq. End .015	250-Up packs	3.70/pack
77-6603	Short Slot Rounded .015		

(Tubed)

77-6555	Long Slot Sq. End .015	10-Up tubes	.48/tube
77-6652	Long Slot Rounded .015		
77-6505	Short Slot Sq. End .015		
77-6602	Short Slot Rounded .015		

(Dispenser)

77-6654	Long Slot Sq. End .015	10- 99 disp.	3.80/disp.
77-6651	Long Slot Rounded .015	100-249 disp.	3.65/disp.
77-6604	Short Slot Sq. End .015	250-Up disp.	3.55/disp.
77-6601	Short Slot Rounded .015		

(100 Pack)

77-8856	Long Slot Sq. End .017	10-99 packs	4.25/pack
77-8853	Long Slot Rounded .017	10-249 packs	4.05/pack
77-8806	Short Slot Sq. End .017	250-Up packs	3.80/pack
77-8803	Short Slot Rounded .017		

(Tubed)

77-8855	Long Slot Sq. End .017	10-Up tubes	.50/tube
77-8852	Long Slot Rounded .017		
77-8805	Short Slot Sq. End .017		
77-8802	Short Slot Rounded .017		

(Dispenser)

77-8854	Long Slot Sq. End .017	10-99 disp.	3.90/disp.
77-8851	Long Slot Rounded .017	100-249 disp.	3.75/disp.
77-8804	Short Slot Sq. End .017	250-Up disp.	3.65/disp.
77-8801	Short Slot Rounded .017		
77-1506	#25 Airway Tubed	10-Up tubes	1.00/tube
77-1508	"R" Strip Cutter Tubed	10-Up tubes	.69/tube
77-1507	"CR" Strip Cutter Tubed	10-Up tubes	.75/tube

Pg. 12

12-2103	Razor Knife & 5 Blades Carded	12-Up	.55 each	1.39
18-3100	Handy Cutter Knife Bulk	12-Up	.35 each	.99
18-3103	Handy Cutter Knife & 6 Blades Carded	10-Up	.50 each	1.29
85-1123	Coupon Clipper Bulk	200-Up	.40 each	.99
85-0123	Coupon Clipper Carded	10-Up	.45 each	1.09

33-6600	Hand Scraper Bulk	100-249 250-999 1,000-Up	.35 each .33 each .30 each	.89
33-6601	Hand Scraper & 1 Blade Carded	10-Up	.44 each	1.09
33-6605	Hand Scraper & 5 Blades Carded	10-Up	.58 each	1.39
33-6610	Hand Scraper & 10 Blades Carded	12-Up	.65 each	1.79

Pg. 13

Cat. No	Description	Packing	Price	Sugg. Retail
55-1144	Front Loading Retractable Knife With 2 Blades — Bulk	100-Up	.75 each	1.69
55-0044	Front Loading Retractable Knife With 2 Blades — Carded	10-Up cards	.80 each	2.19
55-1199	All Metal Retractable Knife With 5 Blades — Bulk	100-Up	1.10 each	2.69
55-0099	All Metal Retractable Knife With 5 Blades — Carded	10-Up cards	1.20 each	[illegible]
55-1133	Front Loading Mini Knife With 2 Blades — Bulk	100-Up	.45 each	.99
55-0033	Front Loading Mini Knife With 2 Blades — Carded	10-Up	.50 each	1.29

Cat. No.	Description	[illegible]	[illegible]	[illegible]
55-1122	Metal Mini Knife With 5 Blades — Bulk	100-Up	[illegible]	[illegible]
55-0022	Metal Mini Knife With 5 Blades — Carded	10-Up	[illegible]	[illegible]
55-1111	Plastic Utility Knife With 1 Blade — Bulk	100-Up	.45 each	[illegible]
55-0011	Plastic Utility Knife With 5 Blades — Carded	10-Up	.75 each	[illegible]
55-1155	Metal Utility Knife With 1 Blade — Bulk	100-Up	.60 each	[illegible]
55-0055	Metal Utility Knife With 5 Blades — Carded	10-Up	.90 each	2.19
55-1166	Metal Utility Knife With 1 Blade — Bulk	100-Up	1.10 each	[illegible]
55-0066	Metal Utility Knife With 6 Blades — Carded	10-Up	1.35 each	[illegible]

Pg. 14

Cat. No	Description	Packing	Price	Sugg. Retail
45-0001	#1 Hobby Handle Bulk	100-249 250-999 1,000-Up	.45 each .43 each .40 each	.99
45-0002	#2 Hobby Handle Bulk	100-249 250-999 1,000-Up	.55 each .53 each .50 each	1.19
45-0110	#1 Handle & 5 Blades Carded	12-Up	.70/card	1.79
45-0111	#1 Handle & 5 Blades Tubed	100-Up	.70/tube	1.79
45-0219	#2 Handle & 5 (45-119) Blades Tubed	100-Up	.85/tube	1.99
45-0224	#2 Handle & 5 (45-124) Blades Tubed	100-Up	.85/tube	1.99
45-111P 45-116P 45-117P 45-008P 45-0088P	100 #45-111 100 Pack 100 #45-116 100 Pack 100 #45-117 100 Pack 100 #45-008 100 Pack 100 #45-0088 100 Pack	10-99 packs 100-249 packs 250-Up packs	4.20/pack 3.90/pack 3.70/pack	
45-111C 45-116C 45-117C 45-008C 45-0088C	5 #45-111 Carded 5 #45-116 Carded 5 #45-117 Carded 5 #45-008 Carded 5 #45-0088 Carded	200-1,999 cards 2,000-4,999 cards 5,000-Up cards	.27/card .25/card .24/card	.75

Cat. No.	Description	Packing	Price	Sugg. Retail
45-111T 45-116T 45-117T 45-008T 45-0088T	5 #45-111 Tubed 5 #45-116 Tubed 5 #45-117 Tubed 5 #45-008 Tubed 5 #45-0088 Tubed	200-1,999 tubes 2,000-4,999 tubes 5,000-Up tubes	.27/tube .25/tube .24/tube	.75
45-119P 45-124P	100 #45-119 100 Pack 100 #45-124 100 Pack	10-99 packs 100-249 packs 250-Up packs	4.40/pack 4.10/pack 3.90/pack	
45-119C 45-124C	5 #45-119 Carded 5 #45-124 Carded	200-1,999 cards 2,000-4,999 cards 5,000-Up cards	.28/card .25/card .24/card	.89
45-119T 45-124T	5 #45-119 Tubed 5 #45-124 Tubed	200-1,999 tubes 2,000-4,999 tubes 5,000 Up tubes	.28/tube .25/tube .24/tube	.89
45-110P	100 #45-110 100 Pack	10-99 pack 100-249 pack 250-Up pack	10.00/pack 9.90/pack 9.70/pack	
45-110C	5 #45-110 Carded	200-1,999 cards 2,000-4,999 cards 5,000-Up cards	.55/card .54/card .53/card	1.39
45-110T	5 #45-110 Tubed	200-1,999 tubes 2,000-4,999 tubes 5,000-Up tubes	.55/tube .54/tube .53/tube	1.39

Pg. 15

Cat. No	Description	Packing	Price	Sugg. Retail
22-3503	Heavy Duty Snap Knife Carded	72-Up cards	1.65 each	3.99
22-3500	Heavy Duty Snap Knife Bulk	144-Up	1.15 each	
22-3508	8 Heavy Duty Snap Replacement Blades Carded	100-Up cards	.80 each	2.29
22-3510	10 Heavy Duty Snap Replacement Blades Tubed	100-Up tubes	1.00 each	2.59
68-0101 68-0102 68-0103	1 Hole .010 Thick 2 Hole .010 Thick 3 Hole .010 Thick	1-8 boxes 9-Up boxes	27.60/box 25.20/box	
69-0121 69-0122 69-0123	1 Hole .012 Thick 2 Hole .012 Thick 3 Hole .012 Thick	1-9 boxes 10-Up boxes	24.00/box 22.00/box	

Cat. No.	Description	Packing	Price	Sugg. Retail
70-1101 70-1102 70-1103	1 Hole .010 Stainless 2 Hole .010 Stainless 3 Hole .010 Stainless	1-8 boxes 9-Up boxes	48.00/box 45.60/box	
30-7500 30-8500	Crafts Furrier Blade Hammer Furrier Blade	50-124 boxes 125-249 boxes 250-499 boxes 500-Up boxes	13.00/box 12.00/box 11.40/box 11.00/box	
41-3000	Plexiglas Blade Bulk	1-Up box	99.45/box	
41-3005	Plexiglas Blade Carded	200-Up cards	.75/card	1.79
17-2605	Cutto Blades 100 Pack	50- 99 packs 100-249 packs 250-999 packs 1000-Up	3.25/pack 3.15/pack 3.05/pack 3.00/pack	

BUSBY, REHM AND LEONARD, P.C.
COUNSELLORS AT LAW
1629 K STREET, N.W., SUITE 1100
WASHINGTON, D. C. 20006

TELEPHONE (202) 857-0700
TELECOPIER (202) 857-0569
TELEX: 440455

DAVID BUSBY
JOHN B. REHM
WILL E. LEONARD
JAMES TAYLOR, JR.*
BRUCE AITKEN

ROGER D. TAYLOR
JONATHAN HEMENWAY GLAZIER**
EDWARD R. EASTON
RUTH H. BALE

*RESIDENT PARTNER, PARIS OFFICE
**ADMITTED IN TEXAS ONLY

PARIS OFFICE
CABINET HAYS
8, PLACE VENDOME
75001 PARIS, FRANCE
TELEPHONE: 260.32-42
TELEX: 210446 F
CABLE: "POSTHAYST PARIS"
TELECOPIER: 703.34-04

September 7, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

In accordance with Press Release No. 84-166, we hereby register, on behalf of our client, the Automobile Importers of America, Inc. (AIA), its objection to S. 2845. This bill is intended to clarify the scope of determinations made by the U.S. International Trade Commission (ITC) under the so-called escape clause, that is, section 201 of the Trade Act of 1974.

AIA objects to S. 2845 principally because it would significantly restrict the discretion that the ITC must have to make the most objective assessment of all the economic factors that bear upon an escape-clause determination. Since the inception of the escape clause in 1951, the Congress has recognized the wisdom of giving the ITC broad discretion in making such determinations. This has been based upon a recognition that the Congress cannot ascertain, assess, and analyze the relevant economic factors in each escape-clause case.

S. 2845 would take a contrary approach and begin to prejudge in significant ways not only what economic factors the ITC may take into account but how it should do so. Thus, for example, S. 2845 would establish an absolute principle that captive imports are always a sign of ill health on the part of the domestic industry concerned. The validity of such a principle is by no means self-evident. Various U.S. industries, including those in the automobile and steel sectors, are adjusting to competition by importing certain products so that they can concentrate on the domestic manufacture of more profitable products. The role and impact of captive imports should therefore be considered on a case-by-case basis.

Similarly, S. 2845 would arbitrarily treat an absolute increase in production as a sign of serious injury if domestic consumption were increasing more rapidly. Such an approach would prevent the ITC from inquiring into the reasons for the two phenomena and from concluding, if the facts warranted, that the absolute increase in production did, in fact, reflect a degree of economic health.

In the same vein, S. 2845 would inhibit the ITC from making a negative determination if it found the domestic industry to be profitable. Once again, the bill would adopt a narrow and arbitrary approach to a complex economic question. Depending upon the behavior of the domestic industry and the nature of its product, it may or may not be analytically appropriate to cite profitability as a justification for a negative determination. Like other factors such as captive imports and increased production, profitability must be assessed within the context of a full review of all the economic factors that are relevant to a given case.

In short, S. 2845 is unwise legislation, since it would arbitrarily resolve certain issues in escape-clause determinations that must be left to the discretion of the ITC if such determinations are to be comprehensive and objective.

Please notify us if your Committee intends to hold hearings on S. 2845. AIA would appreciate the opportunity to appear in opposition to such legislation.

Sincerely yours,

BUSBY, REHM and LEONARD, P.C.

John B. Rehm

John B. Rehm

BEFORE THE
SUBCOMMITTEE ON TRADE, COMMITTEE ON FINANCE
UNITED STATES SENATE

STATEMENT OF LUKENS STEEL COMPANY, A DIVISION OF LUKENS, INC.

ON S. 2845

James L. Slattery
Assistant General Counsel
Lukens Steel Company
50 South First Avenue
Coatesville, Pennsylvania 19320
(215) 383-3335

Lukens Steel Company, a division of Lukens, Inc., is pleased that the Subcommittee is actively considering bills to amend the U.S. trade remedy laws because such legislation is vitally needed. We urge the Committee to adopt legislation before the end of this congressional session.

Lukens Steel Company, like all steel firms, is concerned with effective enforcement of antidumping and countervailing duty laws. We believe that the root of the steel industry's problems is the pervasive unfair trading practices of our trading partners. We therefore support S. 2952, the bill introduced by Senators Heinz, Moynihan and Mitchell, which is an excellent beginning to the much needed comprehensive trade law reform. There are also many worthwhile provisions in S. 2963, sponsored by Senators Cohen, Chafee and Danforth. Because of Lukens' recent experience in the carbon and alloy steel case under section 201 of the Trade Act of 1974, this statement is directed only to Senator Danforth's bill, S. 2845.

S. 2845 would make clear that an upward trend in imports, either actual or relative to domestic consumption, is a specific indicator of threat of serious injury under section 201. This is a useful clarification of existing law. In like vein, Lukens suggests that the statute be clarified to indicate that a relative increase in imports satisfies the increased import standard in section 201 (b)(1). The Commission properly interpreted this standard in the recent carbon and alloy steel section 201 case, but in order to eliminate any future doubt, it would be useful if the Congress ratified the Commission's interpretation of the statute on this point.

S. 2845 also would make clear that evidence of rising profits would not preclude the Commission from reaching an affirmative determination of serious injury. Although this was not an issue in the recent carbon and alloy steel section 201 case, it makes sense to specify that a firm can be seriously injured and can remain seriously injured even though profits begin to rise.

The bill also would require the Commission to take a longer term view of a petitioning industry. Rather than just looking at the survivors of an industry that has been decimated by imports, the bill would require the Commission to consider declines in production relative to consumption, plant closings, and the underutilization of capacity.

S. 2845 also contains an important direction to the Commission to disregard factors that are only to be considered by the President in making his decision after receiving the ITC's recommendations, such as considerations of the cost to the consumer of restrictions on imports. In the carbon and alloy steel proceeding, many of the respondents and even the Federal Trade Commission submitted information on these factors in the injury phase of the investigation, even though those issues had absolutely nothing to do with the question of whether serious injury by imports had occurred. Moreover, during the injury phase of the proceeding, some of the Commissioners spent a great deal of time on questions that were irrelevant to the injury issue. By directing the Commission to disregard information that is irrelevant to its decision on injury, the Commission's investigation could be more properly focused.

Finally, and perhaps most importantly, Lukens recommends that section 203(d) be changed to make clear that import restrictions may be imposed that preserve the relative level of imports during a previous representative period, but that imports not be guaranteed a level based upon the absolute quantitative level of imports. To illustrate the problem Lukens and the rest of the steel industry experienced in the recent steel 201 case, assume that imports of steel during 1973-76 were 15 million tons, while consumption during that period was 100 million tons. The imports' share of the U.S. market would therefore be 15 percent. Also assume that the 15 percent import penetration level was non-injurious to the domestic industry. The ITC, having found that the 1973-76 import share was non-injurious and representative, would base its remedy recommendations on the imports' U.S. market share during this period, 15 percent. Section 203(d), however, speaks in terms of a minimum "quantity or value." The ITC, without much analysis, has assumed that the term "quantity" in section 203(d) means absolute quantity. Thus, it would recommend a minimum tonnage floor of 15 million tons along with its market share recommendation. This absolute tonnage floor would be no problem if U.S. consumption were at or above 100 million tons. But if consumption declined, for example, to 75 million tons, the absolute 15 million ton threshold could guarantee imports a 20 prcent share of the market, rather than the 15 percent share that the ITC had found non-injurious.

This anamolous result is contrary to law and, in fact, conflicts with the Congress' intent that a meaningful remedy be fashioned when serious import injury has been found. In Lukens' view, section

203(d) now allows a relative quantity of imports, i.e., a market share approach, to satisfy the statutory threshold. In order to avoid confusion in the future, however, and to prevent the improperly rigid approach of using absolute quantities to undermine the ITC's market share remedy recommendation, Lukens suggests that the statute be amended or report language be adopted that would make clear that the market share approach satisfies section 203(d)'s requirements. By so doing, much of the recent difficulty the steel industry has had with section 201 could be eliminated.

In short, Lukens supports the changes proposed by S. 2845. We hope the Subcommittee will adopt the other changes we have recommended.

RITAC

RETAIL INDUSTRY TRADE ACTION COALITION

September 5, 1984

The Honorable John C. Danforth
Chairman
Subcommittee on International Trade
United States Senate
Committee on Finance
SD-219, Dirksen Senate Office Building
Washington, D.C. 20510

Re: Opposition of the Retail Industry Trade Action Coalition to S. 2845, a Bill to Amend Section 201 of the Trade Act of 1974

Dear Mr. Chairman:

The Retail Industry Trade Action Coalition ("RITAC") submits its comments for your consideration on S. 2845, a bill to amend Section 201 of the Trade Act of 1974 (the "escape clause"). RITAC consists of twenty retail firms 1/ and eight

---

1/ Associated Dry Goods Corporation, Associated Merchandising Corporation, Balliet's, Inc., BATUS Retail Group, Carter Hawley Hale Stores, Inc., Dayton Hudson Corporation, Edison Brothers Stores, Inc., Federated Department Stores, Inc., J. C. Penney Company, Inc., K Mart Corporation, Inc., Proffitt's Inc., R. H. Macy & Co., Inc., Sears, Roebuck and Co., Selber Bros., Inc., Spiegel, Inc., Tandy Corporation, The May Department Stores Company, Inc., Walgreens, Zale Corporation, and Zayre Corp.

Chairman
WILLIAM A. ANDRES
Chairman of the Board
Dayton Hudson Corporation

Vice Chairman
DONALD V. SEIBERT
Retired Chairman of the Board
J.C. Penney Company, Inc.

Treasurer
SUMNER L. FELDBERG
Chairman of the Board
Zayre Corporation

Managing Director
J. ROBERT BROUSE

International Square, Suite 400 ☐ 1825 Eye Street, N.W. ☐ Washington, D.C. 20006
(202) 429-2015
Telex 440557 BRCORP

national retail associations 2/ which together represent 2 million establishments (most of them small businesses), over 16 million employees (about 15% of the American workforce) and sales of over $1 trillion, equivalent to nearly one-third of the gross national product. RITAC opposes S. 2845.

Section 201 is unique among U.S. trade provisions because it permits the imposition of import restrictions when no unfair trade practice has been committed. For this reason Section 201 imposes the most stringent injury standard -- serious injury -- of all the trade relief statutes. This reflects recognition that the benefits to the U.S. economy from fair trade, in price and product competition, should not be sacrificed unless such fair trade threatens serious disruption to a domestic industry. This requires in-depth, case-by-case analysis, to ensure a careful balance between the domestic and international benefits of fair trade and the adverse consequences that may be felt by domestic industry.

2/ American Retail Federation, Association of General Merchandise Chains, Inc., Direct Selling Association, National Association of Chain Drug Stores, National Mass Retailing Institute, National Retail Merchants Association, National Shoe Retailers Association, and Volume Footwear Retailers of America, Inc.

Congressional statements accompanying the introduction of S. 2845 suggested that Section 201 must be revised to correct the decision of the International Trade Commission ("ITC") in the recent nonrubber footwear case. RITAC considers that the ITC's unanimous decision was appropriate in this case, and we believe that it is unwise to narrow the scope of the ITC's discretion under the escape clause in response to a single controversial decision. Other recent ITC decisions in a series of Section 201 cases indicate that the statute as applied provides a remedy where serious injury in fact exists.

The bulk of these comments address deficiencies of specific provisions of S. 2845. Underlying these specific concerns, however, is a more fundamental disagreement with the purpose of this bill. S. 2845 seeks to limit the ITC's exercise of independent judgment by restricting it from considering all economic factors which bear on the existence of injury. Such restrictions could be viewed by major U.S. trading partners as signalling a retreat from a commitment to full and fair investigation of actual domestic injury.

(1) Limitations on Issues the ITC can Consider. Section 201 currently provides that the ITC should take into

account "all economic factors which it considers relevant." 3/ Paragraph (5) of S. 2845, by adding a new subparagraph (8) to Section 201(b), would selectively exclude certain issues from the ITC's consideration. This subparagraph (8) addresses the nine economic considerations set forth in § 202(c), and specifically excludes four of those nine considerations from the ITC's review.

Subparagraph (8) marks a significant break with escape clause tradition. Since the escape clause entered U.S. law in 1951 4/ Congress has never limited the issues that the ITC can take into consideration. Every variation of the escape clause enacted since that time has carefully granted the ITC the power to consider any factors it deems relevant. 5/ In the deliberations on the current escape clause both Houses of Congress emphasized that the ITC must have broad discretion to

---

3/ 19 U.S.C. § 2251(b)(2)(1982).

4/ Trade Agreements Extension Act of 1951, Pub. L. No. 82-50, § 7, 65 Stat. 72, 74. As originally passed by the House, the 1951 act would have required the ITC to interpret certain data as evidence of serious injury. The Senate refused to accept such a formulation, insisting on ITC discretion, and prevailed in the conference.

5/ Id. § 7(b); Trade Expansion Act of 1962, Pub. L. No. 87-794, § 301(b)(2), 76 Stat. 872, 884; Trade Act of 1974, Pub. L. No. 93-618, § 201(b)(2), 88 Stat. 1978, 2012.

consider all factors. The Senate Finance Committee report stated:

> The Committee has endorsed the provision of the House bill identifying the factors to be taken into account by the Commission . . . . These factors are not intended to be exclusive. It is important to note that the Commission is directed to take into account all economic factors it considers relevant. 6/

The House Ways and Means Committee placed equal emphasis on the power of the Commission to consider all factors:

> These factors are not intended to be exclusive. It is important to note that the Commission is directed to take into account all economic factors it considers relevant. The Committee did not intend that an industry automatically would satisfy the eligibility criteria for import relief by showing that all, or some of the enumerated factors, were present at the time of its petition to the Tariff Commission. 7/

This is sound policy derived from years of experience with the complexities of international trade and the sensitive nature of the escape clause. The ITC has developed the expertise to

---

6/ S. Rep. No. 93-1298, 93d Cong., 2d Sess. 121 (1974) (emphasis added).

7/ H.R. Rep. No. 93-571, 93d Cong., 1st Sess. 47 (1973) (emphasis added).

examine each industry on a case-by-case basis and determine what factors are relevant to an escape clause finding.

Subparagraph (8) would prohibit the ITC from considering

> . . . the efforts being made or to be implemented by the industry concerned to adjust to import competition, and other considerations relative to the position of the industry in the Nation's economy; 8/

How is the ITC to determine whether imports outweigh a business recession as a cause of injury if the ITC cannot consider the position of the industry in the nation's economy? How is the ITC to assess the effects of changes in production technology on world competition if it is prevented from considering industry efforts to adjust?

Subparagraph (8) would prohibit the Commission from considering the effect of import relief on consumers 9/, but would not preclude the ITC from considering the effects of relief on taxpayers, communities, and workers. 10/ Thus, subparagraph (8) would permit the ITC to consider only one half

---

8/ 19 U.S.C. § 2252(c)(3)(1982).

9/ Id. at § 2252(c)(4).

10/ Id. § 2252(c)(9).

of the benefit cost equation: it could weigh the benefits of import relief, but not the costs. This is patently bad policy. The only sound approach is that taken by Section 201 throughout its existence: permit the ITC to consider all relevant factors.

(2) Imports as an Indication of Injury. Section 201 currently requires the ITC to determine whether increased imports have caused serious injury to a domestic industry. The existence of serious injury is determined by an examination of levels of production, employment, capacity utilization, profitability, and other ultimate indicators of the industry's health. Import levels are examined to determine if they have caused serious injury. S. 2845, however, would cause increased imports to be considered as an indication of injury. RITAC believes that this change confuses cause and effect.

There is no reason to oppose increased imports in their own right. Imports that do not adversely affect levels of production, employment, capacity utilization, profitability, and other direct measures of industry performance are a benefit to the American economy, making available to American consumers greater product choice and competition. Only when imports adversely affect the performance of the domestic industry by causing unemployment, depressing production or reducing profits is there a possibility that such imports are harmful. But S. 2845 would assume that all imports are harmful, and thus transform a benefit to consumers into one of the tests of injury to an industry. The current structure of the statute should be maintained: direct indicators of industry health should be used to determine whether serious injury exists, and imports should be examined to determine whether they have caused such injury.

Paragraph (1) of S. 2845 would provide that a significant increase in the volume or share of imports attributable to domestic producers would be an indication of serious injury. This provision could lead to an indication of serious injury when manufacturers merely expand their import operations, contributing to an increase in imports, without any diminution of their domestic operations. Worse, a decline in imports by independent import businesses would increase the share of imports brought in by domestic manufacturers. An injury finding under S. 2845 thus could turn on who the importers of an article are -- an issue far removed from the health of an industry.

Similarly, paragraph (2) of S. 2845 would provide that an upward trend in imports, either actual or relative, or an upward trend in the volume or share of imports attributable to domestic manufacturers would be an indication of threat of serious injury. This provision suffers the same deficiencies just outlined: it could lead to an unwarranted indication of injury based upon an increase in imports that may have relatively little effect on industry performance, or based upon adjustments in the mix of importers that affect neither total imports nor domestic manufacturing operations. In a like manner, paragraph (5) of S. 2845 (by adding a new subparagraph (10) to Section 201(b)) would preclude the ITC from finding that imports by domestic manufacturers are part of a positive effort to compete. This inflexible rule would undermine its ability thoroughly to analyze the circumstances surrounding industry imports, and in many cases would lead to an unwarranted decision.

In the nonrubber footwear case, for example, domestic manufacturers were found to have imported quantities of footwear that could not be profitably produced in the United States. 11/ Manufacturers were found to be adjusting to import competition by concentrating on medium-to-high cost footwear, especially name-brand leather footwear, and importing lower cost and athletic footwear, which generally cannot profitably

---

11/ Nonrubber Footwear, U.S.I.T.C. Inv. No. TA-201-50, 23 (1984).

be produced in the United States. In this instance, therefore, domestic manufacturers' imports were seen as complementing U.S. production, not competing with it, and the imports were evidence of effective adjustment, not injury.

(3) Significant Idling of Productive Facilities. Paragraph (5) of S. 2845, by adding a new subparagraph (7) to Section 201(b), would define a "significant idling of productive facilities" (one of the indicators of serious injury) to include a decline in domestic production (either actual or relative) or the closing of plants. This provision could provide a basis for finding a "significant idling of productive facilities" in instances where, for example, domestic consumption and production both are growing rapidly, with domestic manufacturing facilities operating at full capacity. In such a case the fact that imports might be growing somewhat more quickly than domestic production to meet increased demand would constitute "a relative decline" in domestic production. Under S. 2845 this could provide a basis for finding a "significant idling of production facilities," even though the domestic industry is operating at full capacity and expanding capacity as quickly as possible.

The focus on plant closings could lead to similar problems. In the apparel and footwear industries, for example, small plants continually close and open, 12/ as fashions change and as small entrepreneurs enter and leave the business. Similarly, in many industries plants open and close as technology changes and market locations shift. Such changes do not necessarily reflect a net idling of production capacity nor do they necessarily reflect the basic economic health of an industry. This focus on plant closings could cloud a real indicator of injury: capacity utilization. If 120 small plants close and 100 much larger ones open, the ITC should find that capacity is expanding -- a sign of industry health -- but S. 2845 would confuse the issue by suggesting that the ITC also find a "significant idling of productive facilities."

(4) Profitability. Paragraph (5) of S. 2845, by adding a new subparagraph (9) to Section 201(b), appears to be designed to reduce the importance of profitability in determining whether an industry has been seriously injured. Profitability is central to a determination of serious injury, and RITAC believes that this factor should continue to receive considerable weight.

When an industry contracts to focus on profitable market segments, production, capacity utilization and

---

12/ Nonrubber Footwear, U.S.I.T.C. Inv. No. TA-201-50, 13 (1984).

employment necessarily will drop. The only major remaining indicator of a successful adjustment in such an instance is profitability. A legislative attempt to lessen the importance of profitability, and require a new injury finding whenever production and employment decline, therefore would amount to a step toward permanent protection: if protection is provided whenever production and employment decline the necessary contraction will never occur. Continued protection will be required to sustain production and employment levels in the absence of an industry contraction. This would be inconsistent with the stated goal of Section 201 to provide temporary relief.

* * *

The Retail Industry Trade Action Coalition is opposed to any attempt to restrict ITC discretion under Section 201, and believes that Section 201 is an adequate and effective statute as currently in effect. We believe that the proposed amendments will cause significant difficulties in the application of Section 201, and that it is inappropriate to amend the statute to respond to a single ITC decision. Given the importance of these issues, RITAC requests that the amendments be considered at a full hearing and markup procedure to permit all interested parties to comment and to permit a full examination of their effect. We further consider that the additional bills on which the Subcommittee has requested comment, S. 2952 and S. 2963, raise major issues and should be given full consideration.

RITAC would be pleased to respond to any questions or comments on this letter and looks forward to participation in a full and fair legislative consideration of S. 2845.

Respectfully submitted,

RETAIL INDUSTRY TRADE ACTION
COALITION

William A. Andres
Chairman

LAW OFFICES
DANIELS, HOULIHAN & PALMETER, P. C.
NATIONAL PLACE
1331 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20004

MICHAEL P. DANIELS
DAVID P. HOULIHAN
N. DAVID PALMETER
DONALD B. CAMERON, JR.
MARTIN J. LEWIN
JEFFREY S. NEELEY
MIRIAM CUTLER
JULIE C. MENDOZA
ALAN H. PRICE

TELEPHONE
(202) 393-8224
CABLE DANHOU
TELEX 440305
FACSIMILE
393-9267

September 11, 1984

Mr. Roderick A. DeArment
Chief Counsel
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

Reference is made to your notice of August 14, 1984 with regard to comments on S.2845. I am pleased to enclose herewith a memorandum by the Volume Footwear Retailers of America on this legislation. I would greatly appreciate it if it were included in the record. As reqested in your notice, I include five copies of the memorandum.

Yours truly,

DANIELS, HOULIHAN & PALMETER, P.C.

By: Michael P. Daniels

MPD:db

Enc.

cc: T. Kassinger
L. Santos
J. Lang

LAW OFFICES
DANIELS, HOULIHAN & PALMETER, P. C.
NATIONAL PLACE
1331 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20004

MICHAEL P. DANIELS
DAVID P. HOULIHAN
N. DAVID PALMETER
DONALD B. CAMERON, JR.
MARTIN J. LEWIN
JEFFREY S. NEELEY
MIRIAM CUTLER
JULIE C. MENDOZA
ALAN H. PRICE

TELEPHONE
(202) 393-8224
CABLE DANHOU
TELEX 440305
FACSIMILE
393-8267

September 12, 1984

Mr. Roderick A. DeArment
Chief Counsel
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20150

Re: Subcommittee on International Trade
Hearing on the State of the U.S. Textile Industry

Dear Mr. DeArment:

Please substitute the enclosed "page 3" with the Volume Footwear Retailers of America Memorandum in Opposition to S.2845 which was submitted earlier today.

Thank you for your assistance.

Sincerely,

DANIELS, HOULIHAN & PALMETER, P.C.

By: Diane M Branagan
Diane M. Branagan
Secretary to Michael P. Daniels

Enc.

cc: T. Kassinger
L. Santos
J. Lang

Volume Footwear Retailers of America
1319 F STREET N.W. / WASHINGTON, D.C. 20004 / TEL. (202) 737-5660

VFRA

PETER T. MANGIONE
PRESIDENT

MEMORANDUM IN OPPOSITION TO S.2845

A Bill to Amend the Trade Act of 1974

September 5, 1984

This memorandum, in opposition to S.2845, is submitted by the Volume Footwear Retailers of America (VFRA). The members of VFRA account for approximately half of all footwear sold annually at retail in the United States and approximately 15 percent of total domestic nonrubber footwear production.

VFRA is opposed to S.2845 because it represents a radical departure from existing United States law and from the thrust of United States trade policy -- adjustment to international competition -- as enunciated by the Congress and the Executive Branch.

The bill is represented as embodying technical and innocuous provisions to "clarify the scope" of determinations made by the International Trade Commission (ITC). In fact, the bill is primarily a response to the particulars of the recent ITC nonrubber footwear investigation and seeks to revise the "escape clause" criteria for "injury" and thereby set the stage for a reversal of the ITC finding in June 1984 of "no injury" on footwear (Invstigation No. TA-201-50). This is not just a "footwear bill". In reality, it would introduce fundamental and regressive elements into American trade law with broad and dangerous implications not only in footwear but for the entire spectrum of products imported into the United States.

By proposing that import levels be a criteria of injury, the bill would introduce a static "share of the market" concept into American law which is alien to the dynamic adjustment purposes of the Safeguard provisions of the Trade Act (Title II). This badly confuses increased imports as an effect, injury itself, rather than as a cause of injury. It would impede and penalize adjustment, rather than facilitate adjustment. It would introduce rigidities which would hamstring the Commission in evaluating all of the evidence before it and in exercising its expert judgment.

The Level of Imports is not an Indicator of Injury.

All of the factors presently enumerated in the Trade Act relative to the injury determination refer to the actual condition of the industry itself.[1] Increased imports are

---

[1] The Act provides for relief only if "serious injury" or a threat threreof can be demonstrated. Serious injury is measured by various indicia of the actual performance of the domestic industry: "the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry". (Section 201(b)(2)(A))

With respect to threat of injury the statute again sets forth measures of industry performance: "a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages, or employment (or increasing underemployment)...." (Section 201(b)(2)(B)) *extraneous to measures of performance of the industry. They are properly considered in the statute as a cause of injury (Section 201(b)(2)(C)), not injury itself and cannot logically be considered other than as a casual factor*.

Yet, S.2845 would insert import performance both in the serious injury paragraph, (b)(2)(A), and in the threat paragraph (b)(2)(B) as in indicia of injury itself (Section (1) and (2) of the bill).

An industry could be prospering, with high and increasing levels of production, profits, employment, wages, sales, with fully utilized facilities, and with declining inventories and yet under the proposed amendments, increased imports (either actual or relative, or imports by domestic producers) would be considered as an indication of injury. The state of the industry can only be measured by factors relating to the industry itself.

The bill would compound this fundamental error by introducing the concept of *relative* growth in imports as evidence of a threat of injury. Thus, an industry could be growing rapidly and in a healthy state, yet if imports were growing at a faster rate, under the bill, this would be considered evidence of injury. This introduces the concept of static market shares, rather than that of the impact of imports on the condition of an industry.

This concept is repeated in the proposed paragraph (7) of the bill which defines significant idling of productive facilities, in part, as "a decline in domestic production (either actual or relative to apparent domestic consumption)." Again, production could be actually increasing substantially but if imports increased faster, domestic production would constitute a lesser relative share of apparent domestic consumption. The amendment in these circumstances would make this evidence of an "idling of productive facilities" and, therefore, of serious injury.

The concept of relativity as proposed by S.2485 is unsupportable. Growing, prospering industries cannot be "seriously injured" regardless of the relative growth in imports.

The statute now places a concept of relative import growth in the causality section (Section 201(b)(2)(C)). However, this section comes into play only after serious injury or a threat has been found on the basis of actual industry performance and the questions becomes whether imports are the substantial cause of such injury.

Imports by Producers.

Another element in the proposed amendments which will not survive analysis is the provisions which would make imports by domestic producers themselves evidence of injury and threat of injury and would preclude the Commission from considering the fact that domestic producers themselves account for imports (Section (1) through (5)).

The statute as enacted gives discretion to the Commission as to whether such importation is to be considered and how it is to be evaluated. Clearly this makes great sense, given the variety of industries and circumstances which the Commission must consider under the statue. To ignore such importation -- as in the footwear case, where such importation is an essential element in the health of the industry, since it is importing in product and price lines where it cannot hope to compete -- is to remove from Commission considerations an element essential to understanding and analysis of what is happening in an industry and necessary to an informed and realistic judgment.

An essential feature of the modern world economy is internationalization of marketing and production in almost every manufacturing industry. Such internationalizatiaon must be taken into account or analysis and judgment will be distorted.

Importation in lines where industries cannot compete can be an important element in the adjustment process, which is the overall object of the statute. The proposed amendment would defeat this purpose. The more effectively an industry achieved health and adjustment through this technique, the more it would be vulnerable to injury determinations.

This is not to say that in a proper case such importation could not be considered as a causal factor. The statute quite properly leaves this to the Commission to evaluate in the circumstances of particular cases. The proposed amendment in this respect is unnecessary and ill-advised.

Plant Closings and Production Facilities.

In addition, the proposed paragraph 7 would define "significant idling of productive facilities" as "the closing of plants" or the "underutilization of productive facilities". These are factors which the Commission has always taken into account in evaluating "idling", but the proposed amendment would make this definitional.

Plant closings in and of themselves are not necessarily "idling of productive facilities" within the meaning of the Act. In many industries there is a constant process of plant closings and openings, consolidation of productive facilities, abandonment of inefficient facilities, and scrapping of obsolete equipment. This data must be evaluated by the Commission in order to determine whether there has been an idling of productive facilities. As the Commission remarked in the footwear case: "Over the last ten years, many firms have left the industry due to changes in the market, but many others have also entered and prospered." (Report, p. 7. See also pp. 12-13.)

"Underutilization of productive facilities" is also best left to the Commission to evaluate. Many industries chronically operate with underutilized facilities for a variety of reasons.

The act speaks in a dynamic sense: "idling" not "idle". A decline in utilization is certainly a factor which the Commission presently takes into account.

Proposed paragraph (7) for this reason (and the reasons set forth above on "relativity") is both unnecessary and ill-conceived.

Presidential Standards.

With regard to proposed paragraph (8) the Commission now does not take into account the enumerated factors in injury and causation determinations under 201(b)(1). These are matters for the President under Section 202 and the amendment is superfluous.

Nonetheless, Commission reports do and should contain factual material (as opposed to judgments) relevant to these considerations because such data is necessary if the Commission is to fulfill the functions assigned to it under the statute. For example, under Section 201(d)(1)(B) the Commission, if it finds injury, must, if it determines adjustment assistance "can effectively remedy such injury", "recommend the provisions of such assistance". This is clearly related to the Presidential considerations under Section 202(c).

Profitability.

Proposed paragraph (9) relating to profit restates the law and is superfluous. Profitability of an industry does not "preclude" a determination of injury. Profitability, however, is a key factor which must be taken into account in making an injury determination. Especially after a period of relief, as in footwear, profitability is one of the only ways by which the health and adjustment of an industry can be measured. Profitability also means that an industry has the resources and capital to reinvest, modernize and successfully compete with imports without import relief.

Conclusion.

Taken as a whole, S.2845 is unnecessary and would contradict the purpose (adjustment to international competition) of Title II. It would introduce regressive elements and criteria which would defeat the thrust of the Trade Act and American trade and industrial policies based upon market concepts. It would interfere with the operation of the ITC, the expert body established by the Congress to make judgments based upon all relevant evidence.

The bill is clearly not just a "footwear bill." If enacted it would have a serious and adverse impact upon all industries, exports and imports, and profoundly affect United States trade policies and trade relations. VFRA urges that this bill not be enacted.

HOGAN & HARTSON
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS •

FRANK J. HOGAN (1877-1944)
NELSON T. HARTSON (1887-1976)

SEYMOUR S. MINTZ •
GEORGE E. MONK
EDWARD A. MCDERMOTT •
LEE LOEVINGER •
PAUL G. ROGERS
C. FRANK REIFSNYDER •
EDGAR W. HOLTZ •
JOHN P. ARNESS •
FRANCIS L. CASEY, JR.
E. BARRETT PRETTYMAN, JR.
ARNOLD C. JOHNSON
JOHN J. ROSS •
HOWARD F. ROYCROFT •
ROBERT H. KAPP
SHERWIN J. MARKMAN
ROBERT J. ELLIOTT •
JAY E. RICKS •
ROBERT M. JEFFERS
DENNIS J. LEHR •
ARTHUR J. ROTHKOPF •
THOMAS B. LEARY
JEROME N. SONOSKY
JAMES A. HOURIHAN •
GERALD E. GILBERT •

CHARLES E. ALLEN
AUSTIN S. MITTLER •
VINCENT H. COHEN •
GEORGE U. CARNEAL •
CHESTER D. TAYLOR, JR.
BOB GLEN ODLE
RICHARD S. RODIN
RICHARD J. M. POULSON
PETER W. TREDICK
ANTHONY S. HARRINGTON
ALFRED JOHN DOUGHERTY
PETER F. ROUSSELOT
JAMES J. ROSENHAUER
SARA-ANN DETERMAN
JOSEPH M. HASSETT
DAVID J. HENSLER
ERIC A. VON SALZEN
DAVID S. TATEL
GEORGE W. MILLER
JOHN C. JOYCE
ALPHONSO A. CHRISTIAN, II
M. LANGHORNE KEITH
MARVIN J. DIAMOND
GAIL STARLING MARSHALL

DAVID B. LYTLE
WILLIAM S. REYNER, JR.
JOSEPH C. BELL
WILLIAM A. BRADFORD, JR.
PHILIP C. LARSON
ALLEN H. SNYDER
H. TODD MILLER
ROBERT J. WALDMAN
SAMUEL R. BERGER
PATRICK M. RAHER
DAVID J. SAYLOR
JEAN S. MOORE
ROBERT J. KENNEY, JR.
GEORGE W. MAYO, JR.
GARDNER F. GILLESPIE
PAUL W. OOSTERHUIS
WALTER A. SMITH, JR.
JONATHAN S. KAHAN
RONALD E. STAUFFER
EARL M. COLLIER, JR.
RAYMOND J. BATLA, JR.
WILLIAM J. CASSIDY, JR.
HOWARD I. FLACK
JANET L. McDAVID
BENTON R. HAMMOND

J. WILLIAM FULBRIGHT
MERLE THORPE, JR.
OF COUNSEL

815 CONNECTICUT AVENUE
WASHINGTON, D. C. 20006-4072

TELEPHONE 202/331-4500
CABLE ADDRESS "HOGANDER WASHINGTON"
TELEX 892757
INTL. 64353, 64842, 248370
TELECOPIERS 202/331-2637, 331-5752, 331-4770

WRITER'S DIRECT DIAL NUMBER
(202) 331-4687

September 5, 1884

The Honorable John C. Danforth
Chairman
Subcommittee on International Trade
United States Senate
Committee on Finance
SD-219, Dirksen Senate Office Building
Washington, D.C. 20510

Re: Opposition of Volume Shoe Corporation to S. 2845, A Bill to Amend Section 201 of the Trade Act of 1974

Dear Mr. Chairman:

Volume Shoe Corporation ("VSC"), a leading retailer of footwear headquartered in Topeka, Kansas, hereby submits its comments on S. 2845, a bill to amend Section 201 of the Trade Act of 1974. VSC is a subsidiary of The May Department Stores Company, headquartered in St. Louis, Missouri. May is a member of the Retail Industry Trade Action Coalition ("RITAC"), which also has filed comments opposing S. 2845. VSC strongly supports the positions taken by RITAC, and urges the

Subcommittee to give careful consideration to the failings of S. 2845 as pointed out in RITAC's comments.

VSC wishes to call to the Subcommittee's attention three important points regarding S. 2845:

First, the press releases accompanying the introduction of S. 2845 indicate that the underlying purpose of S. 2845 is to reverse the nonrubber footwear decision recently rendered by the International Trade Commission ("ITC"). 1/ The Subcommittee would set a dangerous precedent by amending the escape clause statute in reaction to the results of a single case.

The escape clause permits the restriction of totally fair trade, and therefore must be carefully applied. If Congress intervenes by amending the law to affect a specific case, then industry after industry will come to Congress to seek a change in the law to suit their particular needs. The very purpose of the ITC is to serve as an independent body to render rational, expert judgments, and rewriting the law with a

---

1/ VSC opposes any attempt to undercut the footwear decision. The ITC appropriately found that the profitable footwear manufacturing industry was not being seriously injured by imports, most of which were shoes of types not produced on a large scale in the United States.

particular industry and case in mind would not only shatter its fragile independence but would dictate escape clause decisions by political pressure, not the objective national interest.

Second, the method by which S. 2845 would seek to control the ITC could lead to inappropriate decisions. S. 2845 would restrict the ITC's exercise of its own judgment, and instead require that it interpret economic data in a predetermined manner. As shown by the lengthy discussion in the RITAC letter, such restraints can lead to irrational results in given instances. Even if the specific rules currently set forth in S. 2845 are amended, the problem will remain. No matter how carefully Congress attempts to design rules to change the result in a given case, those rules can lead to improper results in a different case. We urge the Committee to preserve the structure of the escape clause as it has stood since it first entered American law and to leave the ITC with the necessary room to exercise its expert judgment.

Third, it is critical that the Subcommittee hear from all interested parties in a thorough review of the bill through a full hearing and markup process. S. 2845 goes beyond the footwear case and will affect all industries. Congress has no way to predict what effect this bill might have on different industries without a full legislative analysis. VSC urges the Subcommittee to act thoughtfully and deliberately on S. 2845.

VSC would be pleased to respond to any questions or comments raised by this letter, and looks forward to participation in the review of S. 2845.

Respectfully submitted,

VOLUME SHOE CORPORATION

By ______________________
Gerald E. Gilbert

HOGAN & HARTSON
815 Connecticut Avenue, N.W.
Washington, D.C. 20006

Attorneys for Volume Shoe
Corporation

STATEMENT OF
MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.
CONCERNING S. 2952 and S. 2845

The Man-Made Fiber Producers Association (MMFPA) appreciates the opportunity to comment on trade reform measures currently under consideration by the Senate Committee on Finance. Man-Made Fiber Producers Association, Inc. is a domestic trade organization representing more than 90 percent of U.S. production of man-made fibers, filaments, and yarns. Member companies supply the U.S. textile and apparel industries with approximately 75 percent of total fiber consumption with annual shipments exceeding $12 billion.

MMFPA commends Senator Heinz for his leadership and efforts in addressing the need for trade law reform. Existing laws are burdensome and costly to domestic industries, as well as respondents, and implementation is often unclear. Administrative discretion and ambiguous procedures often prevent industries from gaining relief under the present statutes, even when dumping or subsidies exist. S. 2952 will improve the antidumping and countervailing duty statutes by providing more specific guidelines to the administering agencies and by clarifying Congressional intent.

The provisions of S. 2952 will, in our view, offer significant improvements to current countervailing duty and antidumping law. Among those provisions are sections two and three which deal with "burden of persuasion," which would help insure that respondents cannot defeat antidumping or countervailing duty petitions by refusing to answer case-related questionnaires, and "cumulation," which would require that the U.S. International Trade Commission cumulate imports of like products from different countries when making injury determinations. We strongly support these sections.

The specific criteria for ITC Commissioners, which is provided in section four, is also a favorable change. Section five, which would require the petitioner's consent before the Commerce Department could extend AD or CVD time lines in extraordinarily complicated cases, and section 6, which would prohibit the compromise of outstanding duties owed, will significantly improve the present situation. In addition, we feel that section seven, which would prohibit the ITC from reaching negative injury determinations in CVD cases where there were outstanding orders in effect before 1980 and where foreign governments seek revocation based on agreements to apply an export tax, is a necessary change. We also strongly endorse this section.

Section eight, which would permit ad hoc coalitions to initiate and participate in AD and CVD cases, is an important provision and one which we believe was overlooked in the Trade Agreements Act of 1979. Section ten, which would clarify the current ambiguity concerning foreign government-subsidized inputs in countervailing duty cases, is also an improvement.

The final sections of the bill clarify other issues which we feel are important and we would urge that the Committee favorably consider and support Senator Heinz in his efforts to improve the existing statutes. While there are minor technical changes we would encourage in several of the sections, we strongly endorse and support the overall substantive changes embodied in S. 2952.

Man-Made Fiber Producers Association also endorses S. 2845, recently introduced by Senator Danforth. It is evident that problems have arisen in the administration of the "escape clause" provisions and we commend Senator Danforth for his leadership and efforts in clarifying Section 201. We would urge, however, that additional provisions be included, such as a section dealing with Executive discretion and a lowering of the current standard for import injury causation to that required by the General Agreement on Tariffs and Trade. Again, we view S. 2845 as an important step in reforming the escape clause and would urge that the Committee support this important measure.

As a member of the Trade Reform Action Coalition, MMFPA also endorses and supports the efforts of Senators Cohen, Chaffee and Danforth in considering special needs of the small business community. S. 2963 is, in our view, an important first step in reforming the trade laws to address the needs of smaller industries.

The Man-Made Fiber Producers Association has strongly supported S. 2139, the Comprehensive Trade Law Reform Act of 1983. This bill, introduced by Senators Heinz, Moynihan and Mitchell, would address each of the trade statutes, including Sections 201 and 301 and the small business issue. We continue to support the comprehensive provisions of S. 2139 and would urge the Committee to consider these changes as well as those embodied in S. 2952, S. 2845 and S. 2963.

Again, we appreciate the opportunity to offer these brief comments and would urge the Committee to act favorably on the pressing need for trade law reform.

STATEMENT OF THE

AMERICAN IRON AND STEEL INSTITUTE

TO THE U.S. SENATE

COMMITTEE ON FINANCE

SUBCOMMITTEE ON INTERNATIONAL TRADE

REGARDING PENDING TRADE LAW REFORM LEGISLATION

SEPTEMBER 5, 1984

The American Iron and Steel Institute (AISI) is pleased to present its views to the Senate Finance Subcommittee on International Trade on pending trade law reform legislation. AISI includes 54 domestic steel companies which account for about 85 percent of the raw steel produced in the United States.

The AISI strongly supports enactment of S.2952 during this session of Congress. Introduced by Senator John Heinz, and co-sponsored by Senators Patrick Moynihan and George Mitchell, this bill would materially improve current antidumping (AD) and countervailing duty (CVD) laws. It broadens access, reduces costs, clarifies ambiguities, closes loopholes and simplifies procedures for all petitioners (including domestic steel producers) who would use our laws governing injurious foreign dumping and subsidization of products entering the U.S. market.

Probably no other U.S. industry has had more experience using antidumping and countervailing laws than has the steel industry. Since January 1982 alone, domestic steel producers have filed nearly 200 AD and CVD petitions at a cost of tens of millions of dollars. This experience has taught us that, while the Trade Agreements Act of 1979 represented a major improvement in U.S. AD and CVD laws, there are still significant problem areas which remain to be addressed. Enactment of S.2952 would be a significant first step towards addressing many of these outstanding problems.

Among the many improvements in S.2952 are the following:

- o It requires cumulation (adding together) of imports under appropriate circumstances and thus provides a clear standard where none exists presently;

- It extends quantitative restriction suspension authority to AD law and thus corrects an anomaly in the 1979 act that allows for such authority only in CVD suspensions;

- It clarifies that the definition of countervailable subsidies includes upstream subsidies and foreign domestic subsidies effectively provided to an industry or group of industries, and thus ensures that overly narrow administrative interpretations will not be allowed to undermine the intent of Congress;

- It directs the Commerce Department to take into account preferential pricing of inputs when constructing value in AD and CVD cases and thus closes a major trade law loophole for downstream fabricators;

- It prescribes important new criteria for allowing early re-determinations of dumping margins in 90-day reviews of AD orders and thus ensures that such reviews will not be subjected to continued abuse;

- And it provides explicit monitoring and enforcement authority for steel product imports which are subject to foreign government export licenses -- which is critical, since the future viability of the domestic steel industry requires that effective trade relief be provided, and this includes permitting U.S. Customs to cooperate with foreign government export licensing provisions. Such enforcement authority would be complementary to Section 201 relief and consistent with the Fair Trade in Steel Act.

In addition to our support for S.2952, AISI strongly urges that the Committee adopt at least two other AD/CVD provisions already included in whole or in part in H.R. 4784, recently passed by the House. One provision would standardize procedures for the release of confidential information in AD and CVD cases and provide for the release of such information to corporate counsel under administrative protective order. The other provision would preclude the Department of Commerce from suspending CVD investigations or revoking CVD orders based on foreign government promises to apply an export tax. We also urge that the Committee give careful consideration to both S.2845, which makes needed improvements in Section 201, and to S.2963, which broadens access and reduces costs for U.S. small businesses.

As a founding member of the Trade Reform Action Coalition (TRAC), AISI continues to support passage of S.2139 (The Comprehensive Trade Law Reform Act of 1983), because this is the only piece of pending legislation which addresses key problems in all major trade statutes. However, as indicated in this statement, we clearly see important elements of trade law reform in other pending legislation. S.2952 in particular represents the first vital step towards achievement of effective antidumping and countervailing duty laws. As such, it deserves the full support of the Committee, the Senate and the Congress as a whole.

Hogan & Hogan
Counselors at Law

1100 Seventeenth Street, N.W.
Suite 1000
Washington, D.C. 20036
202 / 223-2686
Telex: 89-2580

September 5, 1984

Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Re: Press Release
No. 84-166

Dear Mr. DeArment:

Please find enclosed the statement of the Metalworking Fair Trade Coalition, commenting on S.2952 and S.2963.

This statement is submitted in response to your referenced press release seeking public comment on these trade bills.

Sincerely,

Ilona M. Hogan

Ilona M. Hogan

IMH/dm
Enclosure

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

**Metalworking
Fair Trade Coalition**

C/O Forging Industry Association (Secretariat) / 55 Public Sq., Cleveland, Oh 44113 / 216/781-6260

STATEMENT OF THE

METALWORKING FAIR TRADE COALITION

TO THE U.S. SENATE

COMMITTEE ON FINANCE

REGARDING S. 2952 and S. 2963

SEPTEMBER 5, 1984

STATEMENT OF THE

METALWORKING FAIR TRADE COALITION

TO THE U.S. SENATE

COMMITTEE ON FINANCE

REGARDING S. 2952 and S. 2963

SEPTEMBER 5, 1984

Members of the Metalworking Fair Trade Coalition (MFTC) are pleased to present their views on two trade law reform bills (S.2952 and S.2963), presently pending before the Senate Finance Committee. MFTC members are especially pleased that, in now calling for public comment on these bills, the Senate Finance Committee is demonstrating its own concern in the critical areas of U.S. trade law encompassed in these two bills.

In this Congress, MFTC has strongly supported S.2139 (the Comprehensive Trade Law Reform Act of 1983), because this is the only piece of pending legislation that addresses in a comprehensive manner urgently needed reforms in all major U.S. trade statutes. However, we welcomed the bipartisan vote in the U.S. House of Representatives in July, passing H.R.4784, as a step in the right direction, and we take the same view with respect to S.2952 and S.2963. Though these bills fall short of the comprehensive approach taken in S.2139, each of them contains important elements of trade law reform that deserve the full Senate's support, and that of Congress as a whole, in the ongoing process of trade law reform.

The Metalworking Fair Trade Coalition is composed of 36 national trade associations representing, for the most part, small metalworking firms having an average of 67 employees per plant, truly the small businesses which S.2963 seeks to assist. For this reason, MFTC has testified previously in support of small business trade remedy access bills, specifically S.50 and S.1672, introduced earlier in this Congress by Senators Cohen, Mitchell, and Chafee.

Nonetheless, in the aggregate, MFTC member companies account for 2.02 million employees located in 29,935 plants in more than 40 states, producing $96.3 billion in annual sales. Despite these overwhelming numbers of trade-affected industries in the aggregate, individual companies still find access to our trade laws prohibitively expensive and time-consuming. For example, some MFTC members recently sought relief under existing trade laws on an industry-wide basis because they could not afford to bring an action alone. But even these efforts to pool resources have been frustrated by certain inadequacies in the trade laws. To remedy these deficiencies, MFTC has joined the Trade Reform Action Coalition (TRAC). As a TRAC member, we support the general TRAC statement on S.2952 and S.2963 and will, therefore, limit MFTC comments to those provisions of these bills which, we believe, will impact metalworking firms most particularly.

First, we completely support the notion of streamlining and expediting countervailing duty and antidumping procedures as will be done by several provisions of S.2952 and S.2963.

For example, sections 10 through 25 of S.2963 contain a series of "technical amendments" to the AD/CVD laws which are designed, for the most part, to streamline and expedite procedures in trade cases.

In general, MFTC supports these provisions but shares TRAC's concern with respect to sections 14, 18 and 21.

Again, we support sections 2 and 3 of S.2963 as an important first step for small businesses but hasten to add that both S.50 and S.1672 have several other provisions that would add significantly to the concept of enhancing accessibility to the trade laws. MFTC's testimony before the Subcommittee on International Trade on April 6, 1984 speaks to the need for these additional provisions of S.50 and S.1672 and will not, therefore, be repeated in this statement. Suffice it to say, however, that we are most anxious to see the establishment of a Small Business Trade Assistance Office within the Department of Commerce become a reality as would be provided for in section 2 of S.2963.

Another provision of importance to MFTC members is the "interested parties" definition of both section 5 of S.2963 and section 8 of S.2952. These sections would ensure that *ad hoc* labor/industry coalitions such as MFTC (or any segment of its membership) have the opportunity to initiate and participate in AD and CVD proceedings to enforce the rights of companies and workers under the trade laws. This would correct an oversight in the Trade Agreements Act of 1979.

While S.2963 would provide some special assistance to small businesses in the area of trade remedies law, S.2952, introduced by Senators Heinz, Moynihan and Mitchell, incorporates many of the priority elements of S.2139, The Comprehensive Trade Law Reform Act supported by MFTC.

We salute the Senate Finance Committee for now focussing on these important bills and will single out for your especial consideration two sections only of S.2952. Section 10 and 12 of S.2952 are crucial to small metalworking firms, especially at a time when the International Trade Commission has already recommended increased tariff and quota protection for other major American industries.

Section 10 of S.2952 would clarify that foreign government domestic subsidies which are explicitly or effectively provided, whether directly or indirectly, to a specific industry or group of industries are countervailable subsidies. This would accord with the intent of Congress in 1979 that the Commerce Department should determine countervailable domestic subsidies based on their direct or indirect effects, and would also conform to the Department's own ruling in a recent CVD case. In that case, the Department determined preliminarily that, while Brazilian iron ore subsidies were ostensibly available to all industries, they were effectively provided only to one industry and were therefore countervailable.

More importantly, section 10 would also clarify that foreign government-subsidized inputs (i.e., upstream subsidies) are countervailable when their effects are passed through to the producers of the end product. This would codify what the Commerce Department itself says is present practice, and would ensure that the Department not interpret countervailable subsidies in such a narrow way as to contravene Congressional intent. Because this needed clarification was not available in a recent case, the ITC imposed only a 1.375 percent ad valorem tax on forged undercarriage components as opposed to the requested 40 percent.

Finally, and most importantly, MFTC wholeheartedly encourages the Senate Finance Committee to approve section 12 of S.2952. Section 12 (preferential pricing of inputs and constructed value) would direct the Department of Commerce to take preferential pricing of inputs into account and to construct value in both AD and CVD cases where the price of inputs into the finished product is found to be unreasonable (i.e., discounted or below the cost of production). By amending the definition of constructed value to include the full value of costs (rather than the purchase price paid by the importer), section 12 would prevent the kind of trade law evasion which occurred in the previously mentioned case involving Italian forged undercarriage components for tractors.

The amendatory language of section 12 merely changes the manner in which constructed value is computed, authorizing the Department of Commerce to adjust the cost of materials incorporated in the exported product where it determines that those costs are "unreasonable" because of subsidies or preferential pricing. This is consistent with present practice of adjusting the costs of materials acquired from related parties at prices found to be unreasonable in the sense that they are lower than would have been the case in arm's length transactions.

The policy is clear. In determining constructed value, costs which are artificial or distorted are not acceptable. Such costs should be revalued if they are non-arm's length, subsidized or dumped, and this amendment of current statute (19 U.S.C. §1677b(a)(2) and §1677b(e)(1) would implement that policy.

The GATT-legality objections which have been raised with respect to the downstream dumping provision in H.R.4784, as passed by the House of Representatives in July, are not valid with respect to this constructed value amendment. To the contrary, this proposal is both legal under the General Agreement on Tariffs and Trade (GATT) and fully consistent with U.S. trade policy.

There is no "like product" problem with this proposal. In the constructed value analysis, the price of the imported merchandise is compared with the production cost of the same merchandise. Such a comparison is explicitly authorized by Article VI of the GATT.

Nor is it valid to argue, as does the Department of Commerce, that GATT Article VI and the GATT Antidumping Code do not permit the inclusion of a subsidy in a determination of dumping. The Code and Article VI merely prohibit imposition of both antidumping and countervailing duties for the same unfair practice.[1] In other words, they prohibit double-counting. Nothing in section 12 requires double-counting.

It is, of course, true that the potential for double-counting would exist if this amendment were enacted. But such potential already exists under present law and actual double-counting is avoided administratively. For example, a government grant to make up an operating loss constitutes a subsidy under existing law, yet the same operating loss is computed as part of the dumping margin in a constructed value analysis. The potential for double-counting exists here in precisely the same manner as it would under the proposed amendment -- the same sum being counted both as a subsidy and as part of a dumping margin. That potential double-counting would be avoided in precisely the same administrative manner. If only a dumping case is prosecuted, the amount in question would be considered as part of the dumping margin. If only a countervailing duty case is brought, the same amount would be found to be a countervailable subsidy. If, however, both a dumping and a countervail case are brought, the amount in question would be treated as a subsidy but not as part of the dumping margin. This administrative solution, a solution already practiced in a directly comparable context, eliminates any GATT double-counting problem.

---

[1] "No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization." GATT Art. VI, par. 5.

In their comments to the Ways & Means Committee on H.R.4784, the Administration stated the following:

> "We know that dumped materials and components are sold in this country. The dumping decisions of the Commerce Department are proof of this fact."

Members of the Metalworking Fair Trade Coalition know these facts as well. We, therefore, urgently implore the members of the Senate Finance Committee to close this loophole which enables foreign producers of inputs to sell their products at preferential prices to exporters of finished goods in the same or third countries without fear of trade law consequences in the U.S. market.

MFTC strongly commends section 12 of S.2952 to the attention of the Senate Finance Committee; and, at the same time, strongly commends the Committee for focussing its attention on both S.2952 and S.2963 with a view toward enactment of this legislation in this Congress.

HOGAN & HOGAN LAW FIRM
1100 17th ST. N.W., SUITE 1000
WASHINGTON, D.C. 20036
(202) 223-2686

to Senate Finance Committee
SD-219

Date 9/5/84

Subject

message The attached membership listing was inadvertently omitted from the statements on S. 2952 and S. 2963 delivered to you today.

We would very much appreciate your attaching one listing to each of the six copies of the statement. Thank you.

Signed E Hogan

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

Metalworking
Fair Trade Coalition
C/O Forging Industry Association (Secretariat) · 55 Public Sq., Cleveland, OH 44113 · 216/781-6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

Metalworking
Fair Trade Coalition

C/O Forging Industry Association (Secretariat) 55 Public Sq. Cleveland, Oh 44113 216/781-6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

Metalworking
Fair Trade Coalition

C/O Forging Industry Association (Secretariat) 55 Public Sq. Cleveland, Oh 44113 216/781-6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

Metalworking
Fair Trade Coalition

c/o Forging Industry Association (Secretariat) 55 Public Sq., Cleveland, Oh 44113 / 216/781 6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

**Metalworking
Fair Trade Coalition**

C/O Forging Industry Association (Secretariat) 55 Public Sq., Cleveland, Oh 44113 216/781-6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

Representation:
36 Trade Associations
$96.3 billion of annual sales
2.020 million jobs
29,935 plants

**Metalworking
Fair Trade Coalition**

C/O Forging Industry Association (Secretariat) | 55 Public Sq. | Cleveland, Oh 44113 | 216/781 6260

REGULAR MEMBERS

Forging Industry Association
National Screw Machine Products Association
American Pipe Fittings Association
National Tooling and Machining Association
Alliance of Metalworking Industries

Cast Metals Federation
National Foundry Association
Iron Castings Society
Steel Founders' Society
Non-Ferrous Founders' Society

Valve Manufacturers Association
National Association of Chain Manufacturers
Metal Treating Institute
American Metal Stamping Association (Washer Div.)
U. S. Fastener Manufacturing Group

Industrial Fasteners Institute
Hand Tools Institute
Welded Steel Tube Institute
Association of Die Shops International
American Die Casting Institute

Steel Plate Fabricators Association Inc.
American Wire Producers Association
Expanded Metal Manufacturers Association
Tool & Die Institute
Cutting Tool Manufacturers Association

Industrial Perforators Association, Inc.
American Cutlery Manufacturers Association
American Chain Association
American Gear Manufacturers Association
National Association of Pattern Manufacturers

Plumbing Manufacturers Institute
Brass and Bronze Ingot Institute
Investment Casting Institute
Metal Cutting Tool Institute
American Institute of Steel Construction, Inc.

Anti-Friction Bearing Manufacturers Association

-over-

SUPPORTING ORGANIZATIONS

American Iron and Steel Institute
Steel Service Center Institute
Machinery Dealers National Association
Specialty Steel Industry
National Machine Tool Builders Association
Hack and Ban Saw Manufacturers Association of America
National Coil Coaters Association
Spring Manufacturers Institute
Cold Finished Steel Bar Institute
International Die Sinkers' Conference
The Ferroalloys Association
Cast Iron Soil Pipe Institute
Builders Hardware Manufacturers Association, Inc.

STATEMENT OF THE
AMERICAN TEXTILE MACHINERY ASSOCIATION
SUBMITTED TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
U.S. SENATE

Harry W. Buzzerd, Jr.
Executive Vice President
American Textile Machinery Association
7297 N. Lee Highway
Falls Church, Virginia 22042
(703) 533-9251
September 5, 1984

STATEMENT OF THE
AMERICAN TEXTILE MACHINERY ASSOCIATION

On behalf of the American Textile Machinery Association ("ATMA"), we submit these comments on the three bills currently pending before the Subcommittee on International Trade which deal with problems in the implementation of U.S. trade laws. These bills -- S. 2952, S. 2845, S. 2963 -- attempt to resolve various deficiencies in existing trade statutes which increase the costs of petitioners in these proceedings and permit the administration of these statutes contrary to congressional intent.

Founded in 1933, ATMA is the only American trade association devoted solely to the advancement of U.S. manufacturers of textile machinery, ancillary equipment and parts. Its members annually produce the substantial majority of textile machinery made in the United States. With a membership of more than 100 companies, ATMA represents more than 80 percent of total production of such equipment. Leading machinery states include South Carolina, North Carolina, New York, Georgia, Massachusetts and New Jersey.

Textile machinery is an industry of small businesses. Imports began their assault on the U.S. market about 20 years ago and currently have an import penetration ratio of approximately 40 percent. As a result, the 1982 Census of Manufactures revealed a downward trend in employment, with the number of workers dropping from approximately 42,000 in 1966 to approximately 19,000 1982. Exports account for approximately 30 percent of sales for this billion dollar industry.

As an import-sensitive industry, domestic textile machinery manufacturers and their suppliers urge the Subcommittee on International Trade to favorably report legislation which improves the administration of U.S. trade laws. Although ATMA vigorously endorses S. 2139 which provides comprehensive reform of U.S. trade statutes, the Association believes that the three bills currently being considered by this Subcommittee will correct some of the current problems in this area of the law.

ATMA specifically commends Senator John Danforth for introducing the amendments to section 201 of the Trade Act of 1974 in S. 2845. These amendments will provide instructive guidance to the International Trade Commission in issuing its decisions under this "fair trade" statute. ATMA firmly believes that profits are not necessarily a determining factor in evaluating the effect of imports on a U.S. industry; import relief should therefore be recommended, even if the profitability standards in the statute are not met.

Moreover, it is important for the ITC to recognize that U.S. industries are frequently forced to import some articles in order to remain competitive. Given the commitment of U.S. companies to their American facilities and employees, it is clear that such imports should be deemed indicative of "injury," and certainly not "adjustment." Finally, when an industry has been devastated by imports, it is critical that the Commission give full consideration to the fact that plants have closed and the industry has shrunk. It is not sufficient to examine the health of the survivors in a beleaguered industry, without giving full acknowledgement to the loss of jobs and plants by less fortunate U.S. competitors.

such statutory language would codify current agency practice. Because it is important to take into consideration preferential pricing of inputs, ATMA also strongly approves of section 12 of this bill.

In the antidumping context, the Association urges the Subcommittee to accept section 13 which would permit the Department of Commerce to negotiate quantitative restraint agreements when dumping is the unfair trade practice at issue. We also recommend that the 90-day review procedure permitted after a dumping order has been issued be eliminated as an unnecessary burden on both the Department of Commerce and the U.S. industry. It is particularly onerous for U.S. companies who have expended large sums of money to obtain a dumping order to immediately thereafter be thrust into a fast-track review procedure whereby foreign producers can reduce their deposit liability -- after just having been found guilty of a violation of U.S. law.

Finally, ATMA urges that section 15 be expanded to permit the Department of Commerce to negotiate and enforce antidumping and countervailing duty settlement agreements if a petition has been withdrawn or an investigation terminated. Such authority is needed because U.S. law currently only provides express settlement authority when suspension agreements are involved.

As for S. 2963, ATMA appreciates the concern of Senators Cohen, Chafee and Danforth for the small business community. As indicated previously in this statement, ATMA's members consist primarily of small companies. Therefore, any revisions to the trade laws which facilitate their access to import relief is received with approval. We are particularly appreciative of the establishment of a special office within the Department of Commerce to address the concerns of smaller U.S. businesses. In addition, ATMA supports section 5 which broadens access to the trade laws by permitting industry/labor coalitions to participate jointly in such proceedings and the addition of authority to hold only one hearing when certain countervailing duty and antidumping investigations are being conducted at the same time (section 6). This latter provision would streamline some proceedings and thus reduce the expenditures of petitioners. Section 7's provisions concerning release of confidential information under administrative protective order will also foster a reduction in expenses borne by litigants.

However, although S. 2963 has various provisions which ATMA supports, we also strongly believe that certain sections should be modified or deleted prior to the reporting of this bill. Judicial review in the U.S. Court of International Trade should not be eliminated because appellants should be eligible for review by two levels of the judiciary; section 3 should therefore be deleted. Moreover, the language in section 4 dealing with judicial review when the International Trade Commission has based its negative determination on the size of an antidumping or countervailing duty margin should also be eliminated because the ITC is currently precluded by the statutory language of existing law from engaging in such analysis. Inclusion of this provision would be a major change in existing law and would undermine the ability of domestic industries to ensure that foreign producers engaged in unfair trade practices receive the penalties required by law.

ATMA vigorously opposes section 9 which authorizes the Department of Commerce to engage in sampling and averaging in connection with annual reviews and U.S. price determinations. While ATMA does not object to the provision which grants the Commerce Department the authority to select representative samples and averages for foreign market value determinations, ATMA strenuously urges the Subcommittee to delete the provisions which would expand such authority to annual reviews and to U.S. price determinations. These latter proposals are not mere "technical" amendments. They in fact erode the basic concept underlying the antidumping statute: that less-than-fair-value ("LTFV") calculations be made on an entry-by-entry basis. If an importer is permitted to pay an antidumping duty based on the difference between an average foreign market value and an average U.S. price, then there is no deterrent for his pricing a particular transaction at well below that average U.S. price. Obviously, he will not have to pay a dumping duty equal to the full amount of the LTFV transaction in which he is involved. Thus, the deterrent effect of the statute is eroded and domestic industries will be forced to compete with transactions which are not fully neutralized by the addition of an accurate dumping duty.

In addition, ATMA urges that the expedited administrative review following issuance of an antidumping order be eliminated (section 14). Foreign producers who have been found guilty of violating U.S. law should not be given the benefit of lowering their deposit rate, especially given the administrative burden on the Department of Commerce and the costliness of such proceedings to petitioners. Nor should the Subcommittee accept section 18 which would modify the definition of "arms length" transactions by redefining the nature of "related parties." ATMA supports the retention of existing law and disapproves of the raising of the level of permitted equity ownership from five to 20 percent.

Finally, ATMA urges deletion of the language in section 21 which alters the standards for determining whether home market prices will be used. According to the proposed "clarification," a new requirement would be imposed on the use of home market sales for LTFV determinations; it would now be necessary that sales in the home market be proportionate to U.S. export sales in order for the home market price to be used in LTFV calculations. Such a provision would be detrimental to the interests of domestic industries, especially in countries where facilities are built primarily to serve an export market (frequently the United States). If section 21 is approved, the Commerce Department would be authorized to disallow such home market prices which are usually higher than their counterpart sales to third countries. The true LTFV differential would thus be ignored and a substantially lower dumping duty paid.

In summary, the American Textile Machinery Association believes that, with the above modifications, the three bills currently being considered by the Subcommittee on International Trade could enhance the enforcement of U.S. trade laws concerning countervailing duty, antidumping and escape clause statutes. However, as indicated at the beginning of this statement, ATMA believes that this legislation does not go far enough toward accomplishing the goal of significant trade law reform. We therefore suggest the following additional proposals be enacted at the same time as the above proposals.

First, ATMA recognizes that judicial review procedures are currently in a state of enormous confusion, often leaving petitioners unsure of when to file an appeal to the U.S. Court of International Trade. While the above legislation attempts to rectify this problem and ensure that appellants do not lose their right to judicial review because of an erroneous decision as to the appropriate timing, it does not fully resolve the problem because it bases the time for appeal on the blurry distinction between "affirmative" and "negative" determinations. We therefore urge the Subcommittee to view with favor a revised procedure which would be simple and clear and thus leave no room for error. ATMA suggests that domestic interested parties be given the option of filing their appeals within 30 days of a determination which adversely affected their interests (regardless of whether it was denominated an "affirmative" or "negative" decision by the agency) or within 30 days of a final countervailing duty or dumping order; importers and foreign respondents, on the other hand, would always file their appeals within 30 days of the publication of an antidumping or countervailing duty order. By requiring an order to issue prior to judicial review at the request of an importer or foreign producer, any ripeness problems would be avoided.

Moreover, there are several provisions in S. 2139, the Comprehensive Trade Law Reform Act of 1983, which would expedite unfair trade practice proceedings and thus eliminate substantial expense to interested parties. For example, section 105 would eliminate some of the Subcommittee on International Trade which addresses the critical issue of trade law reform. We urge the U.S. Congress to take swift and effective action to improve access to U.S. trade laws and enhance the implementation of such provisions.

Press Release No. 84-166

PRESS RELEASE

FOR IMMEDIATE RELEASE
August 14, 1984

UNITED STATES SENATE
COMMITTEE ON FINANCE
Subcommittee on International Trade
SD-219 Dirksen Senate Office Building

SUBCOMMITTEE ON INTERNATIONAL TRADE REQUESTS COMMENTS ON TRADE BILLS

Senator John C. Danforth (R., MO), Chairman of the Subcommittee on International Trade, announced today that the Subcommittee was seeking public comment on three trade bills, S. 2845, S. 2952, and S. 2963.

S. 2845, introduced by Senator Danforth, would amend title II of the Trade Act of 1974 to clarify the scope of determinations made by the International Trade Commission with regard to petitions for temporary import relief initiated under the authority of that title.

S. 2952, introduced by Senator Heinz, and S. 2963, introduced by Senator Cohen, both would amend title VII of the Tariff Act of 1930 to make numerous, although different, changes in the operation of the antidumping and countervailing duty laws. S. 2963 would also amend that act to establish a Trade Remedy Assistance Office in the Department of Commerce.

Written statements.--Persons who desire to present their views are urged to prepare a written statement and to submit it to the Subcommittee. These written statements should be typewritten, not more than 25 double-spaced pages in length, and mailed with five (5) copies to Roderick A. DeArment, Chief Counsel, Committee on Finance, Room SD-219, Dirksen Senate Office Building, Washington, D.C. 20510, not later than close of business on Wednesday, September 5, 1984.

P.R. #84-166

AYSA

THE AMERICAN
YARN SPINNERS ASSOCIATION, INC.

[illegible]

September 5, 1984

Mr. Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. DeArment:

The Finance Committee's Subcommittee on International Trade recently requested public comments on three trade bills, S. 2845, S. 2952 and S. 2963. The majority of provisions in these three bills make welcome and needed changes to our trade remedy statutes.

The American Yarn Spinners' Association (AYSA) has long advocated a comprehensive overhaul of U.S. trade remedy laws such as those reforms embodied in S. 2139, the "Comprehensive Trade Law Reform Act of 1983." While the three bills on which we are submitting comments (which follow below) fall far short of what is needed in this area, the bills taken together would meet many of the concerns which have been a thorn in the side of industries such as ours.

The U.S. sales yarn industry is a major contributor to the American economy with annual sales in excess of $5.5 billion and manufacturing facilities in nearly half of the 50 states from Maine to California. For the most part, our plants are located in small communities and in many cases provide the sole source of manufacturing employment.

Since 1973, employment in the yarn and thread mill sector has declined by 30 percent, or nearly 50,000 workers. While it is true that some of the employment decline is technology-related, as evidenced by a 20 percent increase in productivity over this period, import-related job losses account for one-half of the decline.

The American sales yarn industry has become increasingly capital intensive and is today the most cost efficient yarn producing industry in the world. The industry is fiercely competitive in the domestic market, but cannot be expected to compete with foreign governments who heavily subsidize their producers, or dump excess production on the U.S. market to maintain full employment, while American workers stand in unemployment lines.

Our industry has been one of the lucky ones in the sense that we have on several occasions filed cases against foreign unfair trade practices which we were able to win. However, such cases have taken their toll on our industry in cost, time and irreparable damage to firms before the unfair trade practice could be remedied. Such foreign practices are common and widespread. Yet, the sheer complexity of our trade laws, and uncertainty as to the outcome of any case which is filed, along with the attendant costs of bringing such a case, are often overwhelming to industries such as ours which are basically comprised of small companies. So, many trade grievance which should be redressed do not get redressed, and meantime the industry's position weakens, making it less able to withstand new onslaughts of foreign unfair trade practices. This is a system which cries out for reform, and we are encouraged to see the Committee embark, even in this limited fashion, on the course of trade reform.

S. 2845, which would clarify the scope of determinations made by the International Trade Commission with regard to petitions for temporary import relief initiated under title II, is a very important piece of legislation for several reasons. First, it begins long overdue discussions on reform of Section 201, "the escape clause." Second, it sends a strong message to the International Trade Commission that Congress believes that the Commission should act in accordance with congressional intent as enunciated in the Trade Act of 1974 when rendering injury determinations. The recent case of non-rubber footwear was a travesty of justice. Clearly the ITC's decision had more to do with an arbitrary and discretionary view of the facts than what was congressional intent when the 1974 Trade Act was written. S. 2845 would put a rein on such arbitrary discretion and provide new and clear guidelines to the Commission on what it should and should not consider in such injury determination cases.

S. 2952, would amend title VII of the Tariff Act of 1930 to make certain changes in the operation of the anti-dumping and countervailing duty statutes. What we find particularly laudable about this bill are provisions which would broaden access to these statutes, close loopholes and clarify ambiguities, and reduce costs for petitioners. S. 2952 would allow our laws to get at foreign upstream subsidy and downstream dumping practices; require cumulation of imports in ITC material injury determinations; clarify that the absence of any (or substantial) imports is not a basis for determining that an industry is not being threatened with material injury; and codify threat of injury criteria.

S. 2463, would among other things, establish a trade assistance office in the Department of Commerce. This is a very important step. We hope that such an office will truly assist small businesses experiencing trade problems. Such businesses often do not know where to turn to get help or have the resources to go about confronting such problems.

AYSA urges the Finance Committee to move quickly to report out these bills favorably. Our massive trade deficit is really all about imports, many of them unfairly traded, which are threatening the very survival of industries such as ours. Congress must lend a hand to help solve this problem and we think these bills present a good opportunity to do so.

Sincerely,

H.R. Hunnicutt

H.R. Hunnicutt
President

Bicycle Manufacturers Association of America Inc.
1055 Thomas Jefferson St. N.W. Suite 316 Washington, D.C. 20007 (202) 333-4052

STATEMENT OF
THE BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA, INC.
TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
U.S. SENATE COMMITTEE ON FINANCE
REGARDING
PENDING TRADE LAW REFORM LEGISLATION
(S. 2845, S. 2952, S. 2963)

September 5, 1984

BICYCLE MANUFACTURERS
ASSOCIATION OF AMERICA, INC.
1055 Thomas Jefferson St., N.W.
Suite 316
Washington, D.C. 20007

The Bicycle Manufacturers Association of America, Inc. ("BMA"), a nonprofit trade association the members of which account for the majority of U.S. production of bicycles and a significant portion of U.S. bicycle component production,[1] submits this statement in support of S. 2845, S. 2952 and S. 2963.

BMA believes it is vitally important for the United States to have a comprehensive and strong set of legal remedies available to domestic industries injured by both fair and unfair import competition. This country's manufacturing industries are bearing the brunt of an unprecedented assault by foreign manufacturers who target this market from the "safe haven" of home markets protected by a wide array of tariff and nontariff barriers. This is not fair trade, and a country which permits imports to run roughshod over its domestic industries is not "enlightened," but profoundly shortsighted.

The United States already has a number of trade laws which, if effectively enforced, provide very potent remedies for import-caused injury. Unfortunately, however, these laws have not achieved their full promise, largely because of ambiguities and unnecessary restrictions which limit their utility. S. 2845, S. 2952 and S. 2963 are valuable first steps in what we believe must be a concerted effort by the Congress to strengthen our trade laws by correcting these statutory deficiencies. Accordingly, BMA strongly supports the three bills currently being considered by the Subcommittee, with certain exceptions as noted.

---

[1] The three bicycle manufacturer members of BMA are Huffy Corporation, Murray Ohio Manufacturing Company and Roadmaster Corporation, which together account for the vast majority of U.S. production of complete bicycles. Included among BMA's associate members are the following producers of bicycle parts and componentry: Sate-Lite Manufacturing Co.; TI Sturmey-Archer of America, Inc.; ABS Industries, Inc.; Dia-Compe, Inc.; Union Frondenberg USA Co.; Wald Manufacturing Co.; Excel, Inc.; Hunt-Wilde Corporation; Ets. Hurat & Ses Fils; SunTour USA, Inc.; Persons-Majestic Manufacturing Co.; Maillard; Union Sils van de Loo; Shimano America Corporation; Mesinger Manufacturing Co.; Harris-Thomas Drop Forge Co.; Compagnie des Chaines SEDIS; and Troxell Manufacturing Company.

BMA is one of the members of the Trade Reform Action Coalition ("TRAC"), a labor-industry coalition organized for the purpose of seeking congressional passage of comprehensive trade law reform legislation. BMA concurs with the statement submitted to the Subcommittee by TRAC, but offers this separate statement as a supplement to the comments by TRAC.

S. 2845

Senator Danforth's bill to amend section 201 of the Trade Act of 1974, as amended, makes some extemely important clarifications to U.S. law's most potent trade remedy. In line with the strength of the "escape clause" remedy, section 201 appropriately places a high burden of proof upon petitioning industries. In several of its recent decisions, however, the U.S. International Trade Commission has interpreted section 201 in such a way that the burden placed on the petitioners has gone far beyond that envisioned by the statute. The clarifications contained in S. 2845 would help to assure that the "escape clause" remains fully available to those injured U.S. industries that need it most.

BMA believes the most significant change made by S. 2845 is its clear statement that an industry's loss of market share to imports during a period of increasing consumption should properly be considered evidence of "serious injury." An industry which fails to participate fully in market growth is an injured industry and is not likely to regain its competitive position if and when market demand returns to preexisting levels. The competitive health of the domestic industry cannot properly be viewed in isolation from the market it serves. S. 2845 would assure that the ITC will construe loss of market share as positive evidence of "serious injury," whether or not U.S. production declines in absolute terms.

In addition, the bill would place in proper perspective the issue of industry profitability. In a number of recent 201 decisions, the ITC appears to have given undue emphasis to the single issue of the domestic industry's profitability. S. 2845 would make clear that profits are only a secondary consideration in an injury analysis under section 201. The bill would clarify that primacy is to be given to the effects of increasing imports on domestic production and employment levels; if the production and employment criteria of section 201 are satisfied, an affirmative determination will be required, notwithstanding that the profit criterion is not met. BMA believes that this perspective on the issue of industry profits will better effectuate the basic purpose of section 201.

S. 2952

BMA strongly supports the changes in the existing antidumping and countervailing duty laws proposed in S. 2952, the bill sponsored by Senators Heinz, Moynihan and Mitchell. BMA members' own recent experience under the antidumping law -- involving antidumping petitions filed by the bicycle manufacturer members of BMA against bicycles imported from Taiwan and Korea -- convinces BMA that certain changes are badly needed in the law. Fortunately, S. 2952 would make a number of these needed changes.

From BMA's perspective, one of the most important amendments made to current law by S. 2952 is section 3's requirement that the International Trade Commission cumulate imports from all sources which are either subject to countervailing duty or antidumping investigations or antidumping or countervailing duty orders. To a large degree, this amendment would codify the recent holding of the U.S. Court of International Trade in Republic Steel Corporation v. United States, Consol. Court No. 82-03-00372, slip op. 84-84 (July 11, 1984). The need for such a rule is apparent from BMA's own experience. In its preliminary injury investigations in the bicycle antidumping cases, the ITC found strong evidence that U.S. bicycle manufacturers were experiencing material injury and a clear connection between that injury and bicycle imports from Taiwan. However, because the volume of bicycle imports from Korea was relatively small (albeit growing rapidly), the Commission found Korean exports not to be a contributing cause of the industry's injury, thereby giving rise to a termination of the proceeding against Korea. The Commission specifically rejected the industry's argument that it should cumulate the imports from Korea with those from Taiwan; if the ITC had done so, the petition against Korea would not have been dismissed, and Korean producers would not have escaped liability for their unfair pricing practices, which, in conjunction with dumping by Taiwanese firms, had materially injured the U.S. industry. As the Court noted in Republic Steel, the nationality of the firms accused of dumping should not matter; cumulation is the only rational mode of analysis. BMA therefore strongly supports section 3 of the bill.

BMA also believes that section 5 of the bill represents a significant improvement over existing law. Sections 703(c)(1) and 733(c)(1) of the countervailing duty and antidumping law, respectively, allow the Commerce Department to extend the date for preliminary determinations without the consent of petitioners in "extraordinarily complicated cases." Section 5 of S. 2952 would require petitioners to consent to such an extension in every case. Because the date of Commerce's preliminary determination marks the date for commencement of suspension of liquidation, an extension of the period for the preliminary determination can allow unfairly traded imports to injure a domestic industry for as much as an additional two months under current law. BMA does not believe this result is consistent with the basic purposes of the antidumping and countervailing duty law. We therefore support the change made by section 5 of the bill.

BMA also strongly supports section 9 of S. 2952, which would permit Commerce, at the request of the petitioner, to extend the date for a final countervailing duty determination to the date of a final antidumping determination where antidumping and countervailing duty petitions are filed simultanteously with respect to the same product. BMA believes this change would be advantageous to all parties concerned; Commerce Department staff would be given additional time to make their final determination in the countervailing duty case, and the costs for petitioners and respondents may well be reduced. The requirement that this extension authority may only be invoked at the request of the petitioner is essential, for if the Department's preliminary countervailing duty determination is negative, suspension of liquidation will commence at the time of Commerce's final countervailing duty determination. If domestic industries are not to be further injured by subsidized imports, it is critical that this extension authority should only be authorized at the request of the petitioning domestic industry.

BMA further believes that the changes introduced by section 10 of the bill -- and in particular, the concept of "upstream subsidy" introduced by section 10(b) -- fills a significant void in current law. Certainly, the use of subsidized production inputs ought to be as reachable under the antidumping and countervailing duty laws as the subsidization of the finished product; section 10(b) would provide this much-needed extension. BMA is concerned, however, that the bill as currently worded does not clearly state the precise effects which the use of a subsidized production input is to have under the law. For example, section 771(18)(C) (as added by section 10(b) of S. 2952) seems to require that the full amount of any "upstream subsidy" be included in "the amount of any . . . antidumping duty." On the other hand, section 12(a) amends section 773(a) of the Tariff Act of 1930 to require that the constructed value methodology be employed wherever the cost of any foreign material used in the imported product is "unreasonable" (e.g., purchased at a preferential or below-cost rate). These rules do not appear entirely consistent, and should be harmonized before final action is taken on S. 2952.

One of the most significant provisions of S. 2952 is section 13, which would allow the Commerce Department to accept and enforce quantitative restriction suspension agreements with foreign governments or exporters in antidumping cases on terms similar to those currently available in countervailing duty proceedings. BMA believes that the current lack of authority to accept quantitative restriction agreements in the antidumping context can only be viewed as an anomaly, especially in light of the prevalence of such agreements under the antidumping laws of our trading partners. While BMA believes that section 13's provisions would be improved if the petitioner were required to consent to the terms of any quantitative restriction suspension agreement, BMA nonetheless strongly supports the change made by section 13.

Finally, BMA wishes to register its qualified support of section 14 of S. 2952, which would introduce much-needed restrictions on the use of the so-called "fast track review" under section 736(c) of the Tariff Act of 1930, as amended. BMA believes that experience has shown that the fast track review has been used far too often and on the basis of information which is often suspect. Although BMA would prefer the repeal of section 736(c) in its entirety, we believe that the proposal contained in section 14 will reduce the likelihood that the fast track review will be abused, while not proving unduly burdensome to respondents.

BMA is particularly pleased that section 14 would give all interested parties an opportunity to file written comments before Commerce decides whether to conduct a fast track review. However, BMA believes that this opportunity for comment should be in addition to, rather than in lieu of, the provision of current law, which permits written comment and a hearing in connection with the fast track review itself. Section 14(b) of the bill appears to have inadvertently repealed this provision of current law; this problem should be remedied. Interested parties should have the right to submit their views both before the decision to commence a fast track review is made and after Commerce reaches a preliminary determination in the review itself.

Furthermore, because the decision on whether to commence a fast track review must be made in a very short time, BMA believes it is desirable that all interested parties be given access to all confidential information supplied by the parties requesting the review on an automatic basis. While counsel for the interested parties certainly should treat this information in a manner consistent with the terms of any outstanding protective orders or be required to furnish new ones, counsel should not be required to undergo the burdensome and time-consuming process of specially applying for disclosure at the fast track stage. If section 736(c) is not repealed, BMA would support the proposal in section 14, with the above modifications.

On a related subject, BMA commends the Subcommitee's attention to the provisions of section 105 of S. 2139, the proposed Comprehensive Trade Law Reform Act of 1983. Obtaining disclosure to proprietary information submitted to the Commerce Department in antidumping and countervailing duty proceedings has thus far been one of the most frustrating, time-consuming and costly procedures under the antidumping and countervailing duty law. Section 105 of S. 2139 would make a number of substantial improvements in current law's rules governing the release of confidential information under administrative protective order. The provision would grant to any party to a proceeding the presumption of a "need to know"; treat requests for disclosure as continuing; require release of information within ten working days; and provide for the possible release of proprietary information to persons other than counsel under appropriate protective measures. BMA strongly urges the Subcommittee to adopt a provision similar to section 105 of S. 2139 when it takes action on S. 2952.

S. 2963

S. 2963, the Small Business Trade Remedies Act of 1984 proposed by Senators Cohen, Chafee and Danforth, makes a number of important improvements in existing law. Most significantly, the bills' creation of a "small business trade assistance office" designed to assist small business entities in pursuing their remedies under the U.S. trade laws will go far toward assuring "equal justice under law" to all American industries injured by import competition. BMA strongly supports the basic purpose sought to be achieved by S. 2963.

Unfortunately, BMA cannot support as strongly certain other provisions of S. 2963. For example, section 3 of the bill would require appeals of antidumping and countervailing duty determinations to be brought immediately to the U.S. Court of Appeals for the Federal Circuit, rather than initially in the U.S. Court of International Trade. BMA questions whether the goal of reducing the expense of actions under the U.S. trade laws should necessarily take precedence over interested parties' right to obtain full and effective judicial review before more than a single appellate tribunal. BMA strongly believes that this change from current law is unnecessary and would undermine the effectiveness of judical review in antidumping and countervailing duty proceedings. Accordingly, BMA urges the Subcommittee to delete this provision.

BMA is basically supportive of the provisions of section 4(c) of S. 2963 to the extent that it merely codifies existing case law interpreting the statute of limitations contained in section 516(A)(a)(2) of the Tariff Act of 1930, as amended. Section 4(d) of the bill, however, goes well beyond current law by referring to -- and impliedly legitimizing -- the practice of certain members of the

International Trade Commission of considering the size of a dumping margin or net subsidy in reaching an injury determination under the antidumping and countervailing duty laws. This "margin analysis" is clearly not authorized by present law, and the bill should not impliedly do so in any form. BMA therefore strongly urges the Subcommittee to delete section 4(d) from the bill.

In BMA's opinion, section 6 of the bill also represents a change in existing law which would reduce costs and administrative burdens only at the expense of the substantive rights of the parties. Section 6 would allow Commerce, in its discretion, to hold only one hearing when antidumping and countervailing duty investigations are initiated within six months of each other. At a very minimum, such a procedure should be authorized only with the consent of the petitioner.

However, BMA believes that the procedure envisioned by section 110 of S. 2139 would achieve the basic goal of cost reduction without a substantial risk of prejudicing the rights of the parties. Section 110 would allow the ITC to waive the public conference and submission of written comments at the preliminary stage in cases where the evidence contained in the petition and questionnaire responses provide the ITC with a reasonable indication of material injury. In the vast majority of cases under the antidumping and countervailing duty laws since 1979, the Commission's preliminary injury determinations have been in the affirmative, and recent court cases have stressed the "low threshold" nature of preliminary injury determinations. For these reasons, BMA believes that the procedure envisioned by section 110 of S. 2139 would significantly reduce costs to all parties in the preliminary injury phase of antidumping and countervailing duty investigations without significantly predjudicing the rights of any party. BMA urges the Subcommittee to adopt a similar provision in addition to the procedure called for by section 6 of S. 2963 (with the suggested modification discussed above).

On a more substantive level, BMA is vigorously opposed to section 9 of S. 2963, which would allow the Commerce Department to use sampling and averaging techniques not only in the calculation of foreign market value, but in determining United States price under the antidumping law as well. This provision, if adopted, would effect dramatic substantive changes in the antidumping law. As a matter of logic, the use of an average "foreign market value" as the basis for "fair value" under the law is conceptually sound; that is precisely why section 773(f) of the Tariff Act of 1930 specifically authorizes sampling and averaging in the determination of "foreign market value." However, our antidumping law is based on the fundamental principle of entry-by-entry assessment; that is, each importer is to be liable for the precise amount by which the price of each import sale is lower than "fair value." If the Commerce Department is freed from the requirement of computing a unique United States price for each entry of merchandise covered by an antidumping duty order, but instead employs an average United States price for all entries within a given time frame, the goal of the law to deter so-called "sporadic dumping" will be substantially reduced. Moreover, dumping margins existing on individual transactions may be wholly masked by the application of an average United States price.

BMA does not believe that the sponsors of S. 2963 intended to produce this result, and strongly urges the Subcommittee to delete section 9 from the bill.

Finally, BMA is opposed to section 18 of the bill, which would relax the "related parties" concept of the antidumping law by allowing sales between parties connected by up to a 20 percent ownership interest to be used as the basis for fair value comparisons; current law generally requires sales between companies linked by only a five percent equity interest to be disregarded in calculating fair value. BMA believes there is no good reason to change current law on this point; on the contrary, the change proposed in section 18 would greatly increase the risk that sales at other than arm's-length prices would be considered in calculating dumping margins. This would greatly reduce the effectiveness of the antidumping law. Accordingly, BMA urges the Subcommittee to delete section 18 of the bill.

In conclusion, BMA believes that S. 2963 is a positive step forward in Congress' ongoing efforts to improve the efficiency and effectiveness of the United States' trade laws. That laudable goal should not be undermined by the inclusion in the bill of certain provisions which would have a decidedly negative effect on the future administration of these laws. Accordingly, BMA urges the Subcommittee to change S. 2963 in accordance with the views expressed in these comments and to act favorably on the bill as revised.

COPPER & BRASS FABRICATORS COUNCIL, INC.
1050 SEVENTEENTH STREET, N.W.
WASHINGTON, D.C. 20036
SUITE 440
TELEPHONE (202) 833-8575

September 5, 1984

The Honorable John C. Danforth
Chairman
Senate Finance Subcommittee
on International Trade
United States Senate
Washington, D.C. 20510

Re: Pending Trade Law Reform Bills (S. 2952, S. 2845, and S. 2963)

Dear Senator Danforth:

The Copper and Brass Fabricators Council welcomes the invitation of the Senate Finance Subcommittee on International Trade to comment on the referenced legislation. As a membership corporation of 22 United States brass mills which together employ roughly 27,000 persons and account for approximately 85 percent of the production by domestic brass mills of fabricated copper and copper alloy products, the Council supports these bills and urges their passage. On balance, these bills should better enable United States companies to oppose unfairly dumped and subsidized imports and to obtain temporary relief to allow recovery from the serious injury inflicted by increased imports.

1. With respect to S. 2952, which is being co-sponsored by Senators Heinz, Moynihan, and Mitchell, the Council is particularly

enthusiastic. This bill significantly strengthens our antidumping and countervailing duty laws against unfairly priced foreign merchandise. Among the bill's more important provisions are those requiring cumulation of imports by the International Trade Commission in injury investigations; dealing with threat of material injury; calling for simultaneous final injury investigations in related antidumping and countervailing duty proceedings; clarifying the definition of a countervailable subsidy and embracing upstream subsidies within that definition; and requiring that constructed value calculations in dumping cases compensate for preferential or subsidized components by reflecting their full costs. In the Council's opinion, these and the other sections of S. 2952 are necessary steps forward to counter the unfair trade practices of dumping and subsidization and should be incorporated into the law.

2. S. 2963, which is co-sponsored by Senators Cohen, Chafee, and Danforth, also addresses and generally improves the antidumping and countervailing duty statutes. The main thrust of the bill, to assist small businesses in the United States to avail themselves of their rights under the trade laws, is long overdue. Similarly, a provision of potentially great significance which the Council is happy to see is section 8, which calls for a study and report by the Secretary of Commerce on adjustments to United States price and foreign market value in dumping proceedings. The area of what

adjustments are to be made and how they should be made under the statute is complex and controversial and critically important to the effective and fair administration of the dumping law. Legislative oversight and guidance as to this subject is needed and should be beneficial.

On the other hand, the Council questions the wisdom of some of the provisions of S. 2963 and urges their modification as follows:

a. Section 3 would preclude judicial review of a number of trade actions by the United States Court of International Trade just as that court has been developing considerable expertise in this special and difficult field. This provision should therefore be eliminated.

b. Section 4 would eliminate interlocutory appeals completely in the name of cost savings. Domestic producers have benefited from being able to bring such judicial appeals in the past and would be disadvantaged were they left without this option in the future. Additionally, language at the end of subsection (d) of section 4, referring to injury determinations predicated on the size of dumping margins or net subsidies, suggests approval of so-called margin analysis. This language should be deleted so as to correct this impression.

c. Section 9 broadly endorses recourse by the Commerce Department to sampling and averaging in its determination of United States price and foreign market value in dumping cases at both the original investigation and assessment phases whenever the volume of sales and number of price adjustments are deemed significant. Given the availability of, and reliance by the Commerce Department upon, high-speed computers for its calculations, however, there ought to be little, if any, need to resort to sampling and averaging on these grounds. Moreover, the very real danger presented by sampling and averaging is that dumping margins on individual shipments will be overlooked entirely through sampling and erased through averaging. Sampling and averaging unnecessarily detract from the law. Sampling where United States price is concerned, in particular, appears to be at odds with the mandate of section 751 of the Trade Act of 1930 (19 U.S.C. § 1675) that annual reviews determine the precise pricing differential for each transaction on an entry-by-entry basis. The Council urges the Subcommittee to delete this provision which undermines the objectives of the antidumping statute.

d. Section 18 would require at least a 20 percent equity interest before foreign parties could be deemed related to their importers in the United States and exporter's sales price employed to determine United States price. Given the incentive for even less closely related companies to misreport and inflate import prices on customs papers in order to avoid antidumping duties, retention of existing law is strongly supported.

In sum, the Council endorses the over-all purposes of S. 2963 to strengthen the antidumping and countervailing duty laws and to help small businesses gain relief under these laws. Further careful consideration should be given to specific provisions, some of the more prominent of which have been highlighted here, to resolve whether they actually work toward those ends or, as the Council believes, against them.

3. Lastly, as to S. 2845 which seeks to amend the "escape clause" law and has been introduced by Senator Danforth, the Council wishes to lend its full support. The bill is encouraging for its commercially realistic approach. Imports in increased volume or market share by domestic producers would be taken as a sign of serious injury to the domestic industry and of threat of such injury. The term, "significant idling of productive facilities," would be defined so as to require the International Trade Commission to look at not just the status of presently operating domestic plants but at the closing and underutilization and decline in production of plants which have ceased to function in previous years. Similarly, an affirmative finding of injury is not precluded by the absence of a downward trend in industry profits or by a reasonable level of profit

by a significant number of firms in the domestic industry. These criteria will all help identify and put in clearer perspective the plight of a domestic industry which has incurred serious injury substantially due to an influx of imports. The Council, therefore, favors them.

4. Conclusion. -- In short and on balance, the Council is persuaded that each of these bills contributes to improving our nation's trade laws. It is thus the Council's hope that the best features of the three bills will be enacted into law in the near future. At the same time, there are measures which are absent from these bills and which the Council believes would be of positive value and consequently ought to be added from the Comprehensive Trade Law Reform Act of 1983. The Council points especially to the following provisions of that act: (a) section 105, which directs more liberal and timely release under administrative protective orders of foreign proprietary information in antidumping and countervailing duty cases; (b) section 110, which permits the International Trade Commission to forego a public conference and the submission of written comments and to find affirmatively in preliminary injury investigations in antidumping and countervailing duty cases on the bases of the evidence contained in the petition and in any questionnaire responses; (c) sections 114 and 121, which establish firmer standards as to when and on what grounds an antidumping or a

countervailing duty order can be revoked and sanctions for the violation of the terms of a revocation; and (d) section 124, which essentially stipulates that a country must terminate its export subsidies in order to qualify for an injury test under the countervailing duty law as a country under the GATT subsidies agreement, directs the President to monitor compliance by a country with its commitment to abstain from export subsidies, and upon violation of the commitment provides for withdrawal of the status as a country under the GATT subsidies agreement and the voiding of any negative injury determination or revocation of a countervailing duty order predicated upon that status.

The Copper & Brass Fabricators Council again expresses its appreciation for this occasion to make these comments and trusts that they prove constructive.

Sincerely,

ROBERT J. WARDELL

President
Copper & Brass Fabricators
Council, Inc.

FIA

STATEMENT OF
FOOTWEAR INDUSTRIES OF AMERICA, INC.
TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
SENATE COMMITTEE ON FINANCE
REGARDING
PENDING TRADE LAW REFORM LEGISLATION
(S. 2845, S. 2952, S. 2963)

September 5, 1984

FOOTWEAR INDUSTRIES OF AMERICA
3700 MARKET STREET UNIVERSITY CITY SCIENCE CENTER PHILADELPHIA, PA 19104 (215) 222-2282 TELEX 710-670-0973

Footwear Industries of America, Inc. ("FIA"), a non-profit trade association representing the manufacturers of an estimated two-thirds of U.S. production of nonrubber footwear, as well as a substantial number of the footwear industry's suppliers, submits these comments on S. 2845, S. 2952, and S. 2963.[1] A list of FIA's members is attached to this statement.

On June 22, 1984, the Subcommittee on International Trade held a hearing to inquire into the U.S. International Trade Commission's June 6 negative injury determination in the U.S. nonrubber footwear industry's most recent attempt to secure import relief under section 201 of the Trade Act of 1974, as amended. The Commission's inexplicable denial of relief was a devastating blow to the U.S. nonrubber footwear industry and its workers, and we were extremely heartened by the public expression of outrage at the decision made by Senators Danforth, Heinz, Cohen, Kasten and Mitchell during the June 22 hearings. We are even more gratified, however, that Senator Danforth has taken concrete steps to make such travesties less likely in the future by amending section 201 of the Trade Act of 1974 to foreclose the glaring misinterpretation of that law made by the ITC in its decision in the footwear case. Senator Danforth's bill, S.

---

[1] FIA is one of the members of the Trade Reform Action Coalition ("TRAC"), an alliance of U.S. manufacturing companies, trade associations, and workers that for the last 14 months has strongly urged the Congress to pass comprehensive trade law reform legislation. FIA is also one of the members of the Group of 33, an ad hoc labor-industry coalition with an active interest in seeking the enactment and effective administration of fair and equitable trade laws. FIA has reviewed the comments on S. 2845, S. 2952 and S. 2963 submitted to the Subcommittee by TRAC and the Group of 33, and wishes to be counted as concurring with those comments to the extent they are not inconsistent with the views presented here.

2845, is, in FIA's estimation, one of the most important pieces of trade legislation proposed by the Congress in the last decade.

The greatest portion of these comments will be devoted to Senator Danforth's bill. In addition, however, FIA wishes to express its support, with certain minor qualifications, for S. 2952 -- the bill sponsored by Senators Heinz, Moynihan and Mitchell -- and S. 2963 -- the proposed Small Business Trade Remedies Act sponsored by Senators Cohen, Chafee and Danforth. Together, these three bills provide a basis for comprehensive trade reform that is vitally needed if the U.S. trade laws are to provide effective remedies for import-injured domestic industries.

S. 2845

FIA believes that the ITC's negative injury determination in the nonrubber footwear section 201 case was a great injustice. The ITC staff found that all of the statutory criteria were met: imports had increased dramatically to more than 70 percent of the market; domestic production had steadily declined; employment had declined, sending unemployment in the industry to a record 18.7 percent; the increase in the industry's payroll had failed to keep pace with the cost of living; and the smaller firms in the industry had experienced declines in profitability. Yet despite all this evidence, the Commission found no serious injury, or threat thereof, to the industry. In doing so, the Commission relied most heavily on the fact that the Commission's survey data indicated that the larger of the surviving U.S. producers, as well as the industry in the aggregate, were operating at profit levels which the ITC deemed adequate.

When Senator Danforth introduced S. 2845, he confessed to being "incredulous" that the Commission could find no serious injury based on the "overwhelming" evidence presented to it. Needless to say, FIA was also shocked by the ITC's decision. We were therefore especially gratified when Senator Danforth called a hearing of the Subcommittee to inquire into the ITC's decision, and we strongly supported Senator Danforth's suggestion that section 201 needed to be clarified to prevent such misinterpretations of the law in the future. FIA strongly believes that S. 2845 will go far toward preventing the Commission from, once again, denying import relief to precisely those U.S. industries that need it most.

Perhaps the greatest analytical deficiency in the ITC's footwear decision was the emphasis it gave to the single criterion of industry profitability. This betrayed a fundamental misconception about the purpose of section 201. FIA believes it is clear that the statute as passed in 1974 envisions the preservation of domestic production facilities and employment, not corporate profits. Reduced production and employment levels should be the primary focus in any ITC injury investigation. Industry profits are not irrelevant, of course, for financially healthy companies are generally better able to maintain production and employment levels; but it must be recognized that closing factories and laying off workers -- which are obvious evidence of injury -- can lead to an improvement in industry profits. To view such plant closings and layoffs as evidence that an industry is "adjusting" to import competition, rather than evidence of injury, is to make the maintenance of industry profits the entire focus of a section 201 proceeding.

S. 2845 would make clear that this was not Congress' intent when it passed section 201 in 1974. The bill does this by expressly stating that if the Commission finds that the profit criteria for injury are not met -- that is, that a significant number of firms in the domestic industry are operating at a reasonable level of profit, or that the profits of the domestic industry are not declining -- that finding is not to preclude a determination by the Commission that an industry is injured or threatened with injury. In other words, the profitability of firms in an industry is properly viewed as a secondary criterion of injury; production and employment levels, on the other hand, are to be given primacy in the ITC's injury analysis. If the production and employment criteria for serious injury and threat of serious injury are satisfied in a given case, but the profit criteria are not, the bill would require the ITC to find in the affirmative.

In addition to putting the issue of industry profits in proper perspective, S. 2845 also deals commendably with a related issue -- namely, the significance to be attributed to imports by domestic producers. In the footwear case, the Commission suggested that imports by domestic footwear firms -- which have been increasing steadily in recent years -- are somehow non-injurious, or at best, are self-inflicted injury which does not merit import relief. This ignores the fact that while imports may assist the profitability of

U.S. firms, production levels still decline and U.S. workers lose jobs. S. 2845 would make several amendments to section 201 which would make clear that imports by domestic producers are properly viewed as positive evidence of serious injury or threat of injury, not as positive efforts by the industry to "adjust" or compete with imports. In so doing, the bill once again shifts the emphasis in escape clause cases to the most important factors under section 201 -- namely, the effects of imports on domestic production and employment.

The bill's specific amendments relating to this issue are well-considered. First, the criteria for serious injury would be amended to include "any significant increase in the volume or share of total imports attributable to domestic producers in the industry." The criteria for threat of serious injury would be amended in a similar fashion. Second, section 201's definition of "substantial cause" would be amended to make clear that imports are a "substantial cause" of injury regardless of whether an increase in imports is attributable to domestic producers in the industry. Third, the bill would prevent the Commission from regarding imports as part of the "domestic industry" being investigated; only domestic productive facilities would be counted as part of the domestic industry. Finally, S. 2845 clarifies that the Commission is not to regard imports by domestic producers as a positive effort to compete, but rather as evidence of serious injury or threat thereof. Together, these amendments put imports by domestic producers in their proper perspective.

A further very important contribution of S. 2845 relates to injury caused by an industry's failure to participate in market growth. In the footwear case, for example, the absolute declines in the industry's production and employment levels in 1983 were smaller than in prior years, despite record import penetration. The U.S. footwear market grew tremendously in 1982 and 1983, but all of the growth in U.S. consumption was taken by imports. In FIA's opinion, the failure by a domestic industry to participate in market growth is clear evidence of serious injury, not -- as the Commission seems to assume -- evidence that imports are not adversely affecting U.S. production. S. 2845 would correct this misinterpretation of section 201 by making clear that the term "significant idling of productive facilities" includes a decline in domestic production, either actual or relative to apparent domestic consumption. This would make clear that a loss in market share -- as opposed to an absolute decline in production levels -- is sufficient evidence of injury under section 201.

Another important contribution made by S. 2845 is its attempt to deal with the "survivor syndrome" that has cropped up in section 201 investigations, and the footwear case in particular. Typically, the Commission relies upon data obtained from its own industry questionnaires for much of the information used in making its injury determination. However, the questionnaire responses have an inherent bias toward the surviving firms in the industry; firms which have gone out of business during the five-year term of the Commission's investigation cannot be surveyed and have been more or less overlooked in the ITC's decisions. FIA believes it is improper for the ITC to focus solely on the condition of the industry as it exists in the present; serious injury occurs over time, and it is incumbent upon the Commission to look at what has happened in the industry during the entire period of its investigation. This is especially important with respect to the question of industry profitability.

S. 2845 would deal with the "survivor syndrome" by making clear that the term "significant idling of productive facilities" requires the ITC to evaluate the extent to which plant closings have affected total production capacity in the industry over time. While this clarification is important, FIA believes that the bill should also require the Commission to consider the effect plant closings have upon production, employment, capacity, capacity utilization and profits of the domestic industry. The requirement that the Commission take plant closings into account in analyzing the financial health of the industry would be a particularly important clarification, for it will force the ITC to differentiate -- as common sense would seem to require -- between firms which have maintained their profitability through increased productivity and efficiency and firms which have maintained profitability only by closing plants and laying off workers. FIA suggests that the following section be added to the bill:

> (11) In making its determination under paragraph (1), the Commission shall take full account of the effect of plant closings on the

> production, employment, capacity, capacity utilization and profits of the domestic industry.

Finally, S. 2845 would clarify an issue that has arisen in a number of 201 cases, including the footwear case -- namely, the extent to which the Commission may properly consider certain factors which the statute requires the President to consider in determining whether to grant import relief. Section 202(c) of the Trade Act of 1974 requires the President to consider, among other things, the likelihood that a temporary period of import relief will assist the industry, the likely effect of relief on U.S. consumers, the effect of relief on the United States' international economic interests, and possible claims for compensation by foreign countries. The ITC has shown an increasing tendency to consider the consumer issue, in particular, during the course of its injury investigation. FIA believes that this detracts from the Commission's statutory responsibility, which is solely to determine whether the U.S. industry has been seriously injured. S. 2845 would redirect the Commission's attention to its proper focus by making clear that the Presidential factors just cited are not to be considered during the course of the ITC's injury investigation.

In summary, FIA strongly supports S. 2845 and urges the Subcommittee to aggressively seek its passage. The showing which domestic industries must make to obtain import relief under section 201 is stringent enough that domestic industries should not also be burdened by the ITC interpreting the statute in ways foreign to Congress' original intent. The clarifications implemented by S. 2845 are critically necessary if section 201 is to become the powerful import relief measure which Congress intended it to be.

S. 2952

FIA also wishes to express its strong support of S. 2952, the bill introduced by Senators Heinz, Moynihan and Mitchell. The bill makes a number of important improvements in the existing antidumping and countervailing duty laws.

FIA has a special interest in a number of particular provisions in S. 2952. This interest grows largely out of FIA's experience as a petitioner under the U.S. countervailing duty law. In 1983, the ITC determined under section 104(b) of the Trade Agreements Act of 1979 that the U.S. nonrubber footwear industry would not be materially injured or threatened with material injury if countervailing duty orders issued under the prior law on nonrubber footwear from Brazil, India, and Spain were revoked. The ITC's decision with respect to Brazil was based largely on that Country's promise to maintain offsetting export taxes on Brazilian shoes -- a promise which the U.S. government subsequently found had been breached from the very first. Now freed from the shackles of a countervailing duty order, footwear imports from Brazil have been one of the leaders in the import surge which is currently decimating the U.S. nonrubber footwear industry.

FIA believes the Commission reached the wrong decision in 1982, and for that reason, strongly supports section 7 of S. 2952, which would amend section 104(b) of the Trade Agreements Act of 1979 to prohibit the ITC from basing any decision under that section on a promise by a foreign government to impose offsetting export taxes even after the order is revoked. In light of the similarity between the Commission's inquiry under section 104(b) and its responsibilities under section 751(b) of the Tariff Act of 1930, FIA suggests that the latter section also be amended in accordance with the provisions of section 7 of the bill.

FIA's experience under the countervailing duty law also leads us to support strongly section 6 of the bill, which would make clear that the government may not settle claims for antidumping and countervailing duties under section 617 of the Tariff Act of 1930. Antidumping and countervailing duty orders often become the subject of friction between the United States and foreign governments; and in at least one case -- the infamous Japanese television dumping proceeding -- the U.S. government decided to accommodate the foreign government by agreeing to a settlement that totally ignored the remedial purpose of the law. FIA strongly believes that the U.S. government should not be permitted to settle claims for countervailing duties for any amount less than that required to be imposed by the law -- namely, a duty in the full amount of the net subsidy in effect. FIA therefore strongly supports section 6 of S. 2952, which would make clear that section 617 does not provide such settlement authority.

FIA is also pleased that section 3 of S. 2952 would require the ITC to cumulate imports from different countries subject to antidumping or countervailing duty investigations or orders when it makes its injury determinations under those laws. The Commission has only rarely exercised its discretion to cumulate under current law, and this has often caused industries injured by imports from a number of foreign sources to be denied full relief. Indeed, in its 1983 section 104 investigation of nonrubber footwear from Brazil, India and Spain, the ITC refused to cumulate, despite the fact that these imports in combination accounted for a substantial volume of total U.S. footwear imports. While the Court of International Trade has recently interpreted current law as requiring cumulation at the preliminary investigation stage, FIA strongly believes that cumulation should be required at both stages of the ITC's inquiry, and regardless of whether the imports in question are all subject to active investigations of the same type (e.g., all countervailing duty or all antidumping). Section 3 of the bill would accomplish this, and accordingly, FIA supports it.

Finally, FIA strongly supports the expansion of the definition of "subsidy" contained in section 10 of the bill. In particular, the "upstream subsidy" concept is an important contribution to the countervailing duty law. FIA believes, however, that the bill's requirement that the "upstream subsidy" cause the price of the production input to be "lower than the generally available price of the product in such country" is too narrow, and should be expanded to include prices which are lower than prevailing world prices where there is a world market for the commodity in question. For example, for many years Brazil, Argentina and India have controlled the exportation of hides from their countries in order to keep the domestic price of leather below prevailing world prices. FIA believes this should constitute an "upstream subsidy" to Brazilian, Argentine and Indian footwear manufacturers, and urges the Subcommittee to change section 10(b) of the bill accordingly.

S. 2963

The Small Business Trade Remedies Act of 1984 proposed by Senators Cohen, Chafee and Danforth will go far toward making the U.S. trade laws more available to America's small business community. Many of the members of FIA would probably qualify as "small businesses" within the meaning of this legislation, and absent membership in this trade association, would likely be unable to pursue the remedies theoretically given them by the U.S. trade laws. S. 2963 would largely eliminate the practical barriers faced by such small enterprises in asserting their rights under U.S. law.

While FIA is basically supportive of S. 2963, we are concerned that it would make changes in U.S. law which would reduce the costs of trade relief only by undermining the quality and comprehensiveness of judicial review under the trade laws. For example, section 3 of the bill would transfer judicial review of determinations under the antidumping and countervailing duty laws to the U.S. Court of

Appeals for the Federal Circuit, thereby bypassing the U.S. Court of International Trade, which has built up a considerable body of case law and expertise in this area. Moreover, this change in the law would give aggrieved parties that much less recourse to the courts. By the same token, section 4's elimination of interlocutory appeals would reduce the cost of trade actions only by reducing the accountability of the responsible administrative agencies. Moreover, since an aggrieved petitioner is not required to pursue such interlocutory appeals, the necessity of eliminating them is not apparent.

FIA also questions the wisdom of section 6 of the bill, which would give the ITC the authority to not hold separate hearings in antidumping and countervailing duty investigations initiated within six months of each other. If this provision is truly to serve to reduce the costs for small petitioning entities, this hearing waiver should be authorized only where the petitioner consents to it. Otherwise, the only beneficiary of the rule might be the administrative agency and the foreign respondents.

In addition, although the Association supports the provisions in section 7 which attempt to reduce the burden -- and thus the costs -- of obtaining disclosure of confidential information under protective order, FIA believes that additional provisions are needed to quickly and efficiently effectuate release of this information. FIA therefore commends section 105 of S. 2139 to the Subcommittee's attention.

Finally, FIA believes that sections 4(d) and 9 of the bill would make radical and unintended substantive changes in existing law. Section 4(d) would allow a party to challenge a final affirmative dumping or subsidy determination by Commerce within 30 days of publication of a final negative injury determination by the ITC "which is predicated upon the size of either the dumping margin or net subsidy determined to exist." While FIA appreciates the practical concerns which motivated this provision, we strongly oppose the inclusion in the bill of any language which could be interpreted as legitimizing such "margin analysis" by the ITC. Current law clearly prohibits the Commission from basing a determination of no injury on the size of a dumping margin or net subsidy, and the ITC General Counsel has advised the Commission to that effect. FIA therefore strongly urges the Subcommittee to delete section 4(b) from the bill.

FIA also believes that section 9 of S. 2963 makes unwarranted substantive changes in the law. Section 9 would basically authorize the Commerce Department to use sampling and averaging techniques for determining both United States price and foreign market value in both initial antidumping investigations and review determinations under section 751 of the Act. Current law only authorizes Commerce to use sampling and averaging techniques in determining foreign market value in initial antidumping investigations.

By allowing Commerce to use such imprecise methodologies in determining United States price as well as foreign market value, section 9 of the bill would create a very real risk that dumping margins would often be masked. For example, if the average foreign market value of a product were $90 during a given period, and a foreign producer made three sales of the product in the United States during the period at prices of $90, $110 and $70, use of an average United States price would shield the importer from liability for the $20 dumping margin present on the one less-than-fair-value sale. Current law would not permit the dumping margin to be masked in this way, and would prevent foreign producers from engaging in such sporadic dumping.

Moreover, by authorizing Commerce to use average United States prices during 751 review investigations, section 9 is in effect undermining the principle of entry-by-entry assessment that forms the basis of our antidumping law. Under this change, importers will not pay a duty based on the precise dumping margin present on the particular merchandise purchased, but will -- if they pay any duty at all -- instead pay some rough average duty based on purchases made under potentially different competitive conditions. This change would substantially reduce the effectiveness of our antidumping law as a remedy for predatory and/or discriminatory pricing practices. Again, this change in existing law seems to inure more to the benefit of the Commerce Department and foreign respondents than it does to injured petitioning industries. We therefore strongly urge the Subcommittee to eliminate section 9 from S. 2963.

CONCLUSION

With the exception of the particular provisions which have been discussed in these comments, FIA strongly supports S. 2845, 2952 and 2963. The individual members of the Subcommittee who have sponsored these important legislative measures are to be commended and FIA urges the Subcommittee to act on the pending legislation in accordance with these comments.

FIA MEMBERSHIP AS OF DECEMBER 31, 1983

Acme Boot Company, Inc.
Clarksville, TN

adidas U.S.A., Inc.
Kutztown, PA

Allen-Edmonds Shoe Corporation
Belgium, WI

Alta Products Corporation
Wilkes-Barre, PA

American & Efird Thread Mills
Mt. Holly, NC

American Finish & Chemical Co.
Chelsea, MA

American Shoe Machinery Company
Woburn, MA

Anwelt Corporation
Fitchburg, MA

Atlas Tack Corporation
Fairhaven, MA

B & B Shoe Company
Chicago, IL

B-W Footwear Co., Inc.
Webster, MA

Ballet Makers, Inc.
Fairlawn, NJ

Baron Rubber Co.
Dover, NH

Barry Manufacturing Co., Inc.
Lynn, MA

G.H. Bass & Co.
Wilton, ME

Bata Shoe Company, Inc.
Belcamp, MD

H.A. Batchelder & Son
Milwaukee, WI

Bearfoot Corporation
Wadsworth, OH

Belle Counter Co., Inc.
Belle, MO

Belleville Shoe Mfg. Co.
Belleville, IL

Bennett Industries
West Lynn, MA

Beta Scientific, Inc.
c/o Gerber Scientific
South Windsor, CT

The Biltrite Corporation
Chelsea, MA

Bixby International Corp.
Newburyport, MA

Boston Machine Works Co.
Lynn, MA

Brockton Sole and Plastics
Division Atlas Corporation

Wm. Brooks Shoe Company
Nelsonville, OH

Brown Shoe Co.
St. Louis, MO

H.H. Brown Shoe Co., Inc.
New York, NY

I. Brown Sales Corporation
Hialeah, FL

Carpenter Shoe Co., Inc.
Green Cove Springs, FL

Carter Footwear, Inc.
Wilkes Barre, PA

Chippewa Shoe Company
Chippewa, WI

Ciba-Geigy Corporation
Plastics and Additives Div.
Houston, TX

Circle Machine Co., Inc.
Seabrook, NH

P. Clayman and Sons, Inc.
Salem, MA

Combe, Inc.
White Plains, NY

Compo Industries, Inc.
Waltham, MA

Container Corp. of America
Oaks, PA

Continental Shoe Products & Machinery
Nashville, TN

Converse, Inc.
Wilmington, MA

Thomas Cort, Inc.
Philadelphia, PA

Cosmos Footwear Corporation
New York, NY

Craddock-Terry Shoe Corporation
Lynchburg, VA

Danrich, Inc.
Los Angeles, CA

Der-Tex Corporation
Lawrence, MA

Desco Shoe Corporation
New York, NY

Desma Industrial Machines, Inc.
West Concord, MA

Drew Shoe Corporation
Lancaster, OH

Dunn & McCarthy, Inc.
Auburn, NY

T.J. Edwards Company
Brighton, MA

Emhart/Machinery Group
Beverly, MA

G.F. Emtex
Div., Chelsea Industries
Chelsea, MA

Encore Shoe Company
Rochester, NH

Endwell Products Company
Endwell, NY

Ephrata Shoe Co., Inc.
Ephrata, PA

Esjot Trade America, Inc.
Cohasset, MA

Etonic, Inc.
Brockton, MA

Ettelbrick Shoe Company
Greenup, IL

Falcon Shoe
Lewiston, ME 04240

Flair Footwear, Inc.
Wilkes-Barre, PA

Foot-Joy, Inc.
Brockton, MA

Foss Manufacturing Co., Inc.
Haverhill, MA

Franklin Plastics Corporation
Kearny, NJ

Louis G. Freeman Company
Erlanger, KY

John A. Frye Shoe Co., Inc.
Marlboro, MA

Georgia-Bonded Fibers, Inc.
Buena Vista, VA

Georgia Boot/Durango Boot
Franklin, TN

S. Goldberg & Company, Inc.
Hackensack, NJ

Gold Seal Rubber Company
Boston, MA

Golo Footwear Corporation
Dunmore, PA

The Goodyear Tire & Rubber Co.
Akron, OH

W.L. Gore & Associates, Inc.
Elkton, MD

Gould & Scammon Inc.
Auburn, ME

Granite Industrial Development
and Services Corporation
Buford, GA

Daniel Green Company
Dolgeville, NY

H & W Shoe Supplies Co., Inc.
Northvale, NJ

The Hanover Shoe, Inc.
Hanover, PA

Heminway & Bartlett Mfg. Co.
Greenwich, CT

Herbst Shoe Mfg. Co.
Little Rock, AR

Hirshberg & Company, Inc.
Andover, MA

Hudson Machine Corporation
Haverhill, MA

Imperial Adhesives & Chemical Inc.
Cincinnati, OH

International Advisory Service
Lynnfield, MA

International Shoe Machine Corp.
Nashua, NH

Jo-Gal Shoe Company, Inc.
Lawrence, MA

Jones & Vining, Inc.
Braintree, MA

Jung Shoe Manufacturing Co.
Sheboygan, WI

Juvenile Shoe Corp. of America
Aurora, MO

J.B. Kaplan & Company, Inc.
Real-Time Management, Inc.
Bridgeport, CT

Kessler Shoe Mfg. Co., Inc.
Westminster, MD

Kinney Shoe Corporation
Carlisle, PA

Knapp King-Size Corporation
Brockton, MA

J.T. Koltis Enterprises, Inc.
Bronx, NY

Kormos & Associates
Nashville, TN

W.L. Kreider's Sons Mfg. Co., Inc.
Palmyra, PA

Leverenz Shoe Company
Sheboygan, WI

Lindgren Corporation
Camp Hill, PA

Littonian Shoe Company
Littlestown, PA

Lowell Shoe Inc.
Div., Morse Shoe Company
Hudson, NH

M. Lowenstein Corporation
New York, NY

Ludlow Composites
A Div. of Ludlow Corporation
Freemont, OH

Lydall Inc.
Composite Materials Division
Manchester, CT

Lyn-Flex Industries
Saco, ME

Magdesian Brothers, Inc.
City of Industry, CA

Manning Corporation
St. Pauls, NC

Manufacturers Supplies Co.
St. Louis, MO

Mason Shoe Manufacturing Co.
Chippewa Falls, WI

McRae Industries, Inc.
Mt. Gilead, NC

Meramec Industries, Inc.
Sullivan, MO

Miami Footwear Corporation
Miami, FL

Microdynamics Inc.
Dallas, TX

Middletown Footwear, Inc.
Middletown, NY

Milford Shoe, Inc.
Div., Morse Shoe Company
Milford, MA

Miller, Hess & Company, Inc.
Akron, PA

Miller Shoe Company
Cincinnati, OH

Milton Shoe Manufacturing Co., Inc.
Milton, PA

P.W. Minor & Son, Inc.
Batavia, NY

Mobay Chemical Corporation
Pittsburgh, PA

Monarch Rubber Company
Baltimore, MD

Maynard H. Moore, Jr., Inc.
Stoneham, MA

Munro & Company, Inc.
Hot Springs, AR

New England Shank Company
Saugus, MA

North American Chemical Company
Lawrence, MA

North East Cutting Die Corp.
Portsmouth, NH

Northern Shoe Bindings Co., Inc.
Beverly, MA

Norwich Shoe Company, Inc.
Norwich, NY

Oomphies, Inc.
Lawrence, MA

Osceola Shoe Company, Inc.
Osceola, AR

Paule Chemical
Peabody, MA

Penobscot Shoe Company
Old Town, ME

Pierce & Stevens Chemical Co.
Buffalo, NY

Prime Leather Finishes Co.
Milwaukee, WI

Prime Manufacturing Co.
Lynn, MA

Proctor Products, Inc.
Chesterfield, MO

Puritan Industries, Inc.
Collinsville, CT

Quabaug Rubber Company
N. Brookfield, MA

K.J. Quinn & Company, Inc.
Malden, MA

Red Wing Shoe Co., Inc.
Red Wing, MN

Riedell Shoes, Inc.
Red Wing, MN

Ripley Industries, Inc.
St. Louis, MO

Robus Products Corporation
Lawrence, MA

Rogers Corporation
Rogers, CT

Rohm and Haas Company
Philadelphia, PA

Schaefer Machine Company, Inc.
Clinton, CT

Schwarz Leather Corporation
Edgewater, NJ

Sebago, Inc.
Westbrook, ME

Shell Chemical Company
Houston, TX

Shreiner Sole
Killbuck, OH

The Singer Company
Edison, NJ

Sobel, Bernstein & Green, Co.
Los Angeles, CA

Stanbee Company, Inc.
Carlstadt, NJ

S. Starensier, Inc.
Newburyport, MA

Sterling Last Corporation
Long Island City, NY

The Stride Rite Corporation
Cambridge, MA

Suave Shoe Corporation
Miami Lakes, FL

Supreme Slipper Mfg. Co.
Lewiston, ME

Tobin-Hamilton Co., Inc.
Mansfield, MO

Triangle Manufacturing Company
Raleigh, NC

Truitt Brothers, Inc.
Belfast, ME

UNICOR
Textile Leather Products Div.
Washington, D.C.

U.S. Shoe Corporation
Cincinatti, OH

Velcro, USA, Inc.
Manchester, NH

Vogue Shoes, Inc.
Los Angeles, CA

Vulcan Corporation
Cincinnati, OH

Walker Shoe Company
Asheboro, NC

Walkin Shoe Company, Inc.
Schuykill Haven, PA

Wall-Streeter Shoe Company
N. Adams, MA

Wellco Enterprises, Inc.
Waynesville, NC

Western Supplies Company
St. Louis, MO

Wolverine World Wide, Inc.
Rockford, MI

Worthen Industries
Nashua, NH

E.T. Wright & Company, Inc.
Rockland, MA

Statement of the
Group of 33
(Ad Hoc Labor-Industry Trade Coalition)

To The

Subcommittee on International Trade
Committee on Finance
United States Senate

On

S. 2845, S. 2952 and S. 2963

Pending Trade Reform Legislation

September 5, 1984

Group of 33 Statement[1] on Pending Trade Reform Legislation (S. 2845, S. 2952, and S. 2963)

This statement in support of pending trade reform legislation is submitted on behalf of the Group of 33, an ad hoc coalition of trade associations and labor unions (membership list attached) which has had a continuing concern about the proper implementation of the countervailing and anti-dumping duty statutes, other legislation dealing with unfair trade, and Section 201 of the Trade Act of 1974.

The Group of 33 also wishes to note that it is affiliated with the Trade Reform Action Coalition (TRAC) which has submitted a comprehensive and detailed statement on S. 2845, S. 2952, and S. 2963.

The Group of 33 advised both the Executive Branch and the Congress during the negotiation of the Subsidies and Antidumping Codes in 1978 and 1979, and in the development of implementing legislation in 1979.

We supported the MTN and the Trade Agreements Act of 1979, and we believe that we helped to develop the consensus in this country necessary for their adoption. We did so because we were convinced that the implementation of what was negotiated in Geneva would represent a giant step forward in providing U.S. industry and labor with fair and effective recourse to our trade statutes. Despite these changes, and commitments by the Executive Branch regarding their implementation, which have turned out to be disregarded in the main, there are major problems with our trade remedy laws. There is also substantial frustration on the part of U.S. industry, labor, and agriculture that they cannot secure effective action under these statutes to achieve meaningful remedies to international trade practices which confer an unfair competitive advantage.

---

[1] Although Group members have a commonality of interest and purpose, not all of our member organizations concur in all the details of the positions taken in this statement. Furthermore, nothing in our statement should be interpreted to preclude any of the member organizations of the Group of 33 from submitting additional views or from seeking specific trade reforms which are not addressed by the bills on which we are submitting comments.

Many who have tested the system have come away shaken by the recognition that such actions are becoming increasingly complex, costly, and uncertain as to the outcome. They find themselves buried under difficult burdens of proof. They find the responsible executive agencies failing to pursue effective verification and investigatory procedures or to self-initiate cases despite a growing body of information on foreign trade practices available to the Executive Branch. Above all, they find the absence of will to enforce the statutes as Congress wrote them.

We support comprehensive trade remedy law reform because of these problems and because the United States is confronted by seriously worsening international trade problems and a massive trade deficit which could be as high as $140 billion this year. (In the first seven months of 1984, the trade deficit of almost $74 billion already exceeded the $69 billion trade deficit for all of 1983.) We support comprehensive trade reform because there are numerous deficiencies in the way in which the countervailing and antidumping duty statutes and Section 301 of the Trade Act of 1974 are being administered, again despite the improvements enacted in 1979; and because a major overhaul of Section 201 of the Trade Act of 1974 is long overdue. The Comprehensive Trade Law Reform Act of 1983, S. 2139 addresses such issues in a comprehensive manner and we encourage the Committee's further review of its many provisions.

The three trade bills under consideration by the Committee address specific areas of the trade statutes which are weak or inadequate. S. 2845 would make key changes in Section 201 to ensure that the ITC does not so narrow its focus of import injury so as to contravene Congressional intent. S. 2845 is fine as far as it goes, and we hope the Committee reports it out; however, some checks also need to be placed on Presidential discretion in Section 201 cases, particularly since the legislative veto over Presidential actions in such cases may no longer be available as a result of last year's Supreme Court decision in the Chada case. The Group of 33 also advocates a change in the injury causation standard to conform it to GATT standards -- a standard which requires a lower threshold of injury.

S. 2952 makes a number of significant changes in our anti-dumping and countervailing duty statutes, many of which we have long advocated. S. 2952 draws many of its provisions from S. 2139 and would, among other things, change the trade remedies statutes to deal with foreign upstream subsidy and downstream dumping practices; require cumulation of imports in ITC material injury determinations where more than one country is involved; and clarify that the absence of any (or substantial) imports is not a basis for determining that an industry is not being threatened with material injury. The bill also attempts to codify various other criteria to determine threat of injury, for instance, presence of substantial inventory and build-up of foreign capacity. We would recommend many additional changes, but S. 2952 is a good step in the right direction.

S. 2963, which would establish a trade assistance office in the Department of Commerce, recognizes the unique concerns of small businesses which are oftentimes unable to utilize the remedies under our trade laws because of the sheer complexities of such laws, and the extraordinary costs and time associated with bringing a case.

Taken together, these three bills go a distance in accomplishing some important trade reforms which the Group of 33 has long advocated. We urge the Committee to act expeditiously on these measures. We hope they will be passed this year.

AD-HOC LABOR-INDUSTRY TRADE COALITION

(GROUP OF 33)

Amalgamated Clothing & Textile Workers Union, AFL-CIO
American Apparel Manufacturers Association
American Brush Manufacturers Association
American Federation of Fishermen
American Mushroom Institute
American Pipe Fittings Association
American Textile Machinery Association
American Textile Manufacturers Institute
American Yarn Spinners Association
Association of Synthetic Yarn Manufacturers
Bicycle Manufacturers Association of America Inc.
Cast Iron Soil Pipe Institute
Clothing Manufacturers Association
Copper and Brass Fabricators Council, Inc.
Footwear Industries of America, Inc.
International Ladies' Garment Workers' Union, AFL-CIO
International Leather Goods, Plastics & Novelty Workers Union, AFL-CIO
Lead-Zinc Producers Committee
Luggage & Leather Goods Manufacturers of America, Inc.
Man-Made Fiber Producers Association
National Association of Chain Manufacturers
National Association of Hosiery Manufacturers
National Cotton Council
National Knitwear and Sportswear Association
National Knitwear Manufacturers Association
Northern Textile Association
Scale Manufacturers Association, Inc.
Synthetic Organic Chemical Manufacturers Association
Textile Distributors Association
United Food and Commercial Workers International Union, AFL-CIO
Valve Manufacturers Association
Work Glove Manufacturers Association

STATEMENT OF THE
OUTDOOR POWER EQUIPMENT INSTITUTE, INC.
TO THE U.S. SENATE
COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE
CONCERNING TRADE LAW REFORM LEGISLATION
(S. 2845, S. 2952 and S. 2963)

SEPTEMBER 5, 1984

Outdoor Power Equipment Institute, Inc.
1901 L Street, N.W.
Suite 700
Washington, D.C. 20036
(202) 296-3484

The Outdoor Power Equipment Institute, Inc. ("OPEI") applauds the consideration by the Subcommittee on International Trade of much-needed legislation in the area of trade law reform. OPEI urges prompt action to improve the statutory remedies available to import-sensitive domestic industries which would ensure fair trade in the U.S. market.

OPEI is a national trade association representing manufacturers that produce 90 percent of consumer walk-behind and riding lawnmowers, garden tractors, tillers, edger/trimmers, shredder/ grinders, yard vacuums, leaf blowers, snow throwers and the major components for these products. The Institute is comprised of approximately 74 companies that produce equipment having a retail value of approximately $3 billion.

In general, OPEI believes that the three bills currently being considered by the Subcommittee on International Trade (S. 2845, S. 2952, and S. 2963) provide an essential first step toward the improved administration of U.S. trade laws. They correct certain deficiencies in the countervailing duty, antidumping and escape clause provisions and therefore should receive swift congressional endorsement. However, OPEI hopes that the U.S. Congress will also consider favorably the comprehensive approach to trade law reform embodied in S. 2139, the Comprehensive Trade Law Reform Act of 1983.

In light of OPEI's support for the three bills that are the subject of the recent press release seeking public comment, the Institute wishes to highlight certain provisions in this legislation which it strongly endorses and those which it believes should be modified prior to passage.

S. 2845

As stated in the press release, S. 2845 amends the escape clause provisions of the Trade Act of 1974 in order to "clarify the scope of determinations made by the International Trade Commission with regard to petitions for temporary import relief...." OPEI fully supports all of the statutory amendments contained in this important bill.

With the expansion of world trade in the past few decades, the survival of many American industries has been threatened due to the excessive assault of imports. However, as the Trade Act of 1974 recognized, such industries need not fear extinction if a temporary respite from imports can provide the time and capital needed to improve their competitive position with foreign trade. Such legislation is essentially pro-competitive because, with short-term import relief, a domestic industry can once again become viable in the long term. Productive facilities and employment can thereby be maintained in the United States.

However, recent decisions by the U.S. International Trade Commission have undermined the congressional mandate of the escape clause provisions. OPEI therefore urges prompt passage of S. 2845 which will provide clear guidelines to the Commission as to congressional intent with regard to "fair trade" cases. More specifically, the Outdoor Power Equipment Institute supports the amendments in this bill which would provide as follows: (1) consideration of increased imports by U.S. producers as evidence of serious injury or threat thereof; (2) defining the phrase "significant idling of productive facilities" as including a decline in domestic production (either actual or relative to consumption), the closing of plants and the under-utilization of productive capacity; (3) precluding the ITC from considering certain factors delegated to Presidential review; and (4) permitting the Commission to issue an affirmative injury determination regardless of whether the profit criteria of the statute are met.

S. 2952

As indicated previously, OPEI is supportive of this important legislation. We are particularly pleased that the co-sponsors of this bill, Senators Heinz, Moynihan and Mitchell, have proposed statutory amendments which will improve the implementation of the antidumping and countervailing duty laws and thereby reduce costs to domestic industries suffering from unfair trade practices. By simplifying procedures and clarifying ambiguities, this legislation will help ensure competition in the U.S. market which comports with internationally-recognized rules of fair commercial behavior.

We therefore urge prompt passage of the provisions in S. 2952, and particularly endorse those which would require the International Trade Commission to cumulate the effect of imports in determining material injury or threat thereof (Section 3); require the Commerce Department to obtain the petitioner's consent prior to extending the deadlines in "extraordinarily complicated" dumping or countervailing duty cases (Section 5); prohibit the compromise of duties owed under the countervailing duty and antidumping statutes (Section 6); eliminate the use of export taxes as a basis for revoking countervailing duty orders under section 104 of the Trade Agreements Act of 1979

(Section 7); specify that a domestic subsidy explicitly or effectively provided to a specific enterprise or industry is countervailable under U.S. law (Section 10); require adjustment for upstream subsidies (Section 12); and provide authority to suspend dumping cases through the negotiation of quantitative restraints (Section 13).

Although OPEI urges prompt passage of S. 2952, the Institute suggests the following technical amendments to clarify the language of this bill:

(1) Section 2: Party with Necessary Information

Although OPEI supports this provision in general, we suggest that the word "only" be eliminated from this provision because its inclusion may undermine the effectiveness of this section.

(2) Section 7: Countervailing Duty Orders in Effect Before 1980

While OPEI supports this provision, the Institute believes that the prohibition against reliance on an offsetting export tax should not just apply to pre-1980 orders but should extend to revocations and suspensions of post-1980 orders and cases. Experience has shown that such taxes are not always collected promptly.

(3) Section 10: Subsidies

In section 10(b), S. 2952 amends section 771 by adding a new paragraph "18." Subparagraph (C) states that if the administering authority decides during an antidumping or countervailing duty investigation that an upstream subsidy has been paid, the agency shall include an adjustment "in the amount of any countervailing duty or antidumping duty imposed under that [sic] subtitle...." We believe, that in the antidumping context, the adjustment due to any subsidized input should be made to the foreign market value, rather than the dumping duty itself. We therefore suggest that lines eight through 14 of subparagraph (C) be revised as follows:

> ...the administering authority shall include in the amount of any countervailing duty imposed on the merchandise under subtitle (A) or in the foreign market value of the merchandise as determined in an investigation under subtitle (B), an amount equal to the difference between the prices referred to in subparagraph (A)(ii), adjusted, if appropriate, for artificial depression in accordance with subparagraph (B).

(4) Section 13: Quantitative Restriction Agreements

OPEI enthusiastically supports this provision but urges that the Department of Commerce be required to obtain the consent of petitioner in all suspension agreements based on quantitative restraints.

(5) Section 14: Security In Lieu of Estimated Duty

The Institute believes that this 90-day "fast-track" review procedure has been abused by foreign producers and has placed an excessive and unwarranted burden on the resources of the Department of Commerce. OPEI therefore requests that this provision be repealed in its entirety.

However, should the revised provision contained in section 14 be adopted, OPEI suggests two technical amendments. First, existing paragraph (2) of section 736(c) should be reinstated (and redesignated as subparagraph (B)) because it deals with the opportunity for comment once the administering authority permits the posting of a bond and has thus decided to conduct an expedited review This hearing process should be continued under any revised statutory scheme because it permits public comment on the modified level of deposit imposed on foreign producers.

Second, the phrase "issued in accordance with section 777" should be deleted after the words "under protective order." Given the short time frame for Commerce's decision as to whether to allow a posting of bond as well as the brevity of the 90-day expedited review process, confidential information should be disclosed automatically under protective order so that parties have the ability to comment swiftly and effectively.

(6) Section 15: Export Validation Requirement for Steel Products

OPEI believes that this statutory amendment should not be industry-specific and should clarify that the Commerce Department has the authority to negotiate and enforce settlement agreements under the antidumping and countervailing duty laws involving the withdrawal of petitions and termination of investigations.

(7) Section 16: Sales for Importation

The intent of this provision is to ensure that offers for sale and leasing arrangements are sufficient bases for affirmative determinations by the Department of Commerce and the International Trade Commission. While OPEI supports this provision, we believe that certain technical amendments are needed to ensure that section 16 completely resolves the issue. It appears that the drafters of this provision inadvertently omitted necessary conforming amendments to the dumping statute concerning injury decisions of the International

Trade Commission -- provisions which have already been included in the parallel amendments to the countervailing duty statute.

We therefore suggest that the phrase "or by reason of sales (or the likelihood of sales) of that merchandise for importation," be inserted after the phrase "by reason of imports of that merchandise" in section 731 of the Tariff Act of 1930, as amended, and that the phrase ", or sales (or the likelihood of sales) for importation," be inserted after the phrase "by reason of imports" in section 735(b) of that Act.

Conforming amendments concerning likely sales and leases should also be added to the provisions concerning preliminary ITC injury determinations under both the countervailing duty and dumping acts (sections 703(a) and 733(a) of the Tariff Act of 1930, as amended).

(8) Section 17: Sales for Future Delivery and Irrevocable Offers

We believe that section 16 and 17 address the same problem; section 17 can therefore be deleted from the legislation.

S. 2963

OPEI applauds the attention given by this legislation to the needs of the small business community in ensuring that size does not preclude access to congressional remedies to trade problems. In particular, OPEI is pleased that the Department of Commerce would be required to establish a Small Business Trade Assistance Office under section 2 of this bill.

While OPEI is generally supportive of the thrust of this trade law reform legislation, it feels strongly that certain provisions should be modified prior to enactment of this legislation. Our comments are as follows:

(1) Section 3: Judicial Review of Certain Actions by Court of Appeals for the Federal Circuit

While the cost to domestic industries would certainly be reduced if judicial review by the U.S. Court of International Trade were eliminated, such a cost saving can be viewed as "penny wise and pound foolish." Especially in light of the increased expertise by this court in handling trade law matters, we urge that domestic industries be given the opportunity for judicial scrutiny of agency action by both the U.S. Court of International Trade and the U.S. Court of Appeals for the Federal Circuit. Section 3 should therefore be deleted.

(2) Section 4: Elimination of Interlocutory Appeals

OPEI seeks elimination of section 4(d) which adds the paragraph entitled "Exception." This provision legitimizes an ITC assessment of the size of a dumping or subsidy margin in making its injury finding. As indicated in a floor debate on H.R. 4784 (see Attachment 1), it was agreed to delete a comparable provision in the House bill prior to final passage.

In addition, while OPEI approves the other provisions of this section which attempt to clarify the timing of a judicial appeal, the Institute believes that the continued reliance on a petitioner's evaluation of whether a decision is "negative" or "affirmative" may prove troublesome. A more preferrable system might be to authorize domestic parties to appeal adverse findings (regardless of how the agency characterizes the determination) 30 days after the publication of the agency determination or the final order and to permit importers to appeal within 30 days after publication of the final order. This procedure has the benefits of clarity and certainty.

(3) Section 6: Hearings

OPEI recommends that the authority to conduct one hearing for certain simultaneous antidumping and countervailing duty investigations should be granted only upon the consent of the petitioner. In addition, the last sentence in paragraph 2 should be amended by deleting the words "as it considers relevant" so that the ITC is required to allow additional written comments in the event of a waiver of the hearing.

(4) Section 7: Release of Confidential Information

OPEI believes that it is crucial to expedite the disclosure of confidential information under protective order. Therefore, a mandatory requirement that such information be released within 10 working days should be added to this amendment. The subcommittee should also consider adding the other provisions of section 105 of S. 2139 which would facilitate this process and reduce unnecessary expense to domestic industries.

(5) Section 9: Sampling and Averaging

Under existing law, the Department of Commerce has the authority to sample and average with respect to foreign market value. However, section 9 of this bill expands this authority to determinations of United States price and to administrative reviews. Such a dramatic expansion of agency authority should be denied. This substantive revision of the antidumping statute will permit the agency to compare an average foreign market value with an average U.S. price and thus totally nullify the historic requirement that the government calculate the amount of a dumping margin by referring to the specific transaction price at issue. By granting the Commerce Department this power, importers will no longer be deterred from purchasing at prices substantially less than fair value because they know they will only have to pay a dumping duty equal to the price differential based on averages -- not their own particular transactions. This wholesale revision of the basic premise underlying calculations of dumping duties should be disallowed.

(6) Section 18: Related Parties

This provision relaxes the standards for a finding of "related parties." OPEI therefore vigorously opposes this proposed amendment.

(7) Section 21: Foreign Market Value

Section 21 would require that sales in the home market be proportionate to sales to the United States in order for the home market price to be used to determine whether less than fair value sales exist. However, with the United States as a frequent target for export and with home markets often small in comparison to total production, dumping margins would be reduced by virtue of this distorted assessment of price differentials. OPEI therefore believes this provision should be deleted.

* * *

As stated at the outset, OPEI believes that the three trade bills discussed above provide necessary modifications to existing trade statutes. However, there are several provisions in S. 2139, the Comprehensive Trade Law Reform Act of 1983, which we strongly feel should be adopted at this time. They are as follows:

(1) Section 105

As indicated previously, we believe that more expeditious procedures for release of confidential information under administrative protective order will reduce the cost of countervailing duty and antidumping investigations. The provisions of section 105 should therefore be adopted.

(2) Section 110

This provision would streamline unfair trade practice cases by eliminating one of the two hearings currently required for ITC injury determinations. However, this provision gives the Commission flexibility to hold such a hearing where written submissions do not provide a sufficient basis for an affirmative preliminary decision.

(3) Sections 114 and 121

These provisions prohibit the administering authority from revoking a countervailing duty order, suspending a CVD investigation or terminating a suspended investigation on the basis of an offsetting export tax. In addition, section 114 of S. 2139 precludes the International Trade Commission and the Department of Commerce from considering revocation of a countervailing duty or antidumping order or termination of a suspended investigation for five years. The objective of these provisions is to insure that the U.S. government retains its monitoring role for a sufficient period of time in cases where foreign producers have been found guilty of unfair trading practices.

(4) Section 124

Section 124 requires that countries "under the Agreement" commit themselves to eliminate export subsidies promptly before receiving the benefit of an ITC injury determination. For developing countries, "country under the Agreement" status may be granted if certain commitments are made concerning the reduction of subsidies. Finally, section 124 gives the President authority to withdraw "country under the Agreement" status if a country fails to honor its commitments. Such statutory directives are needed to ensure that the Executive Branch obtains sufficient commitments prior to conferring the benefits of "country under the Agreement" status as well as to provide the authority to withdraw such benefits should a violation occur

* * *

In conclusion, the Outdoor Power Equipment Institute, Inc. strongly believes that enactment of these three bills, with the modifications outlined above, will improve the trading environment in the United States. We therefore encourage passage of this legislation, as modified. However, we respectfully request the U.S. Congress continue debate on trade law reform and resolve the remaining problems in this critical area of the law in the near future. We urge the adoption of selected provisions from S. 2139.

country is dumping. In addition to the trade-chilling effect of this provision—one that could be easily used against our own exports—a web of bureaucratic activity will be created with little economic benefit. And the monitoring mandate is infinite in duration.

The motion to recommit will change this section to place the responsibility for any necessary monitoring with one agency—the Commerce Department which administers the dumping laws. However, there would have to be a determination that the evidence warrants monitoring in a particular instance. Frivolous complaints can be set aside and, only where a possible problem can be fairly identified, would monitoring be required.

I cannot close my discussion without pointing out that studies abound in this bill. The targeting provision will be replaced by four separate studies on foreign targeting practices—one each by the Departments of Commerce and Labor, the Trade Representative, and the Comptroller General. The ITC recently completed a comprehensive study on such targeting practices. As I said earlier, the bill already provides for a targeting monitoring program.

More tremendously burdensome studies will do nothing, I believe, toward solving thorny trade problems or toward identifying problems where they may not exist. Existing law allows us to countervail against Government coordinated efforts to gain an unfair share of our market. Aggressive enforcement of our law where real problems exist is what we must continue to do—not call for more studies. The motion to recommit sticks with the one targeting monitoring program.

Mr. Chairman, I urge my colleagues to support the motion to recommit in order to remove the above problems with this bill and preserve the committee's initial objective to improve the countervailing duty and antidumping laws. There are needed simplifications and cost-saving measures in H.R. 4784 that should not be lost. But to enact these changes along with provisions that protect some industries at the cost of others and create tremendous administrative burdens would do more harm than good.

Our resources should be focused on simplifying the CVD and dumping laws and enforcing them fairly and surely.

I know this bill will be passed overwhelmingly. Every Member has a producer, or union, which feels aggrieved because of real or imagined unfair trade. Protectionism is strong in the United States. It is easier to vote for protection than to make the hard choices needed to reduce deficits and lower interest rates.

I make my lonely appeal knowing full well that protectionism is still waxing and that my appeal will not be heeded.

Nevertheless, the appeal must be made. Protectionism is ultimately a long walk down a one-way street. This country took that walk in the early 1930's. I hope we will not begin such a stroll again today.

The administration vigorously opposes this bill. I include in the RECORD a letter from Secretary Baldrige and Ambassador Brock and Secretary Block of the Department of Agriculture have the same feeling.

The letters follow:

SECRETARY OF COMMERCE,
Washington, DC, May 15, 1984.

Hon. BILL FRENZEL,
House of Representatives,
Washington, DC.

DEAR BILL: We are writing to express the Administration's opposition to H.R. 4784, the Trade Remedies Reform Act of 1984, as presently written.

Although H.R. 4784 contains a number of constructive changes in our antidumping and countervailing duty laws, its three major provisions make the bill unacceptable to the Administration. These provisions (1) define the so-called "targeting practices" of foreign governments as subsidies, (2) radically alter the definition of subsidies as to natural resources, and (3) expand the scope of the antidumping law to include downstream dumping. These provisions are contrary to the international obligations of the United States, represent dangerous international precedents, and pose direct or indirect threats to American exporters.

If the United States violates its international obligations, other nations would have a right to retaliate againsts U.S. trade under the rules of the GATT and its Codes. We should not subject American exporters to this risk. The United States should not enact rules prohibiting certain foreign practices unless we are prepared to have our own exports subject to the same rules under foreign mirror legislation. A detailed analysis of our opposition to these provisions is enclosed.

Although the Administration welcomes efforts to simplify the administration of our unfair trade laws to improve access to injured firms and workers, we cannot support any bill containing the three above provisions.

Sincerely,

MALCOLM BALDRIGE,
Secretary of Commerce.
WILLIAM E. BROCK,
United States Trade Representative.

Mr. FRENZEL. Even with the removal of the targeting provision, which is a huge improvement, I urge my colleagues to vote "no" on H.R. 4784 and "yes" on the motion to recommit. When I offer a motion to recommit for myself and the gentleman from New York [Mr. CONABLE], I will attempt to correct those features of the bill which seem to me to be contrary to our international obligations and our own best interests and I will seek to preserve those parts of the bill which I believe are helpful to our trading policies.

Mr. Chairman, I reserve the balance of my time.

DEPARTMENT OF AGRICULTURE,
Washington, DC, May 21, 1984.

Hon. BILL FRENZEL,
House of Representatives, Washington, DC.

DEAR CONGRESSMAN FRENZEL: The Department strongly opposes H.R. 4784, which is to be considered shortly by the House of Representatives. H.R. 4784, the Trade Remedies Reform Act of 1984, contains three provisions which could cause great harm to American agriculture. This bill should not be enacted. The danger from enactment lies in the precedent such a law would set for interpretation of international trade agreements in ways that can be used against U.S. exports, as well as in the risk of immediate foreign retaliation where U.S. actions clearly violate these international agreements.

The first provision which we oppose attempts to deal with foreign industrial targeting practices by treating them as subsidies subject to U.S. countervailing duty legislation. Not only is the countervailing statute a poor one to use from a practical, administrative standpoint, but the extension of U.S. countervailing duty law to such practices could lead foreign governments to take similar action against our products. Other nations could, for instance, question the cooperative market development programs of the Foreign Agricultural Service and countervail against the products involved.

The second objectionable provision would extend U.S. countervailing duty law to cover foreign programs regulating the domestic sale of natural resources in a way that reduces their domestic sale price. Such programs are not now considered to be countervailable subsidies, because the natural resources are generally available to all domestic users—not just those who produce goods for export. If other governments adopted such a law, U.S. agricultural products benefitting from government irrigation or electrification programs, among others, could become subject to foreign countervailing charges.

The third harmful provision would extend U.S. antidumping duties to situations where the alleged dumping involves not the foreign exporter but rather the exporter's suppliers. Implementation of such a provision by the United States would put the United States in violation of the General Agreement on Tariffs and Trade and the Antidumping code and lead to retaliation against U.S. exports.

The United States depends on exports to market the produce of nearly one of every three acres of cropland. These agricultural exports make a net contribution of approximately $20 billion to the United States balance of trade. Enactment of H.R. 4784 could cause irreparable harm to U.S. farmers. I urge you to oppose this bill.

Sincerely,

JOHN R. BLOCK,
Secretary.

☐ 1810

Mr. GIBBONS. Mr. Chairman, I yield 4 minutes to the gentleman from Georgia [Mr. JENKINS], a member of our committee and subcommittee.

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. JENKINS. Mr. Chairman, I would like to engage the chairman of the Trade Subcommittee in a brief colloquy. I understand that section 110 of the bill which deals with interlocutory appeals may still contain language which refers to determinations by the Commission based on the size of the dumping margin or net subsidy. In the Ways and Means Committee we voted to delete a provision which would have given the Commission authority to base its decision on the dumping margin or subsidy level. Therefore, I would assume that this language in section 110 should have been deleted. Can the gentleman assure me that this language does not authorize such determinations by the Commission and that at some future point the necessary conforming changes will be made?

Mr. GIBBONS. Mr. Chairman, will the gentleman yield.

Mr. JENKINS. I yield to the chairman of the subcommittee.

Mr. GIBBONS. The gentleman is correct. Regrettably, we should have deleted this reference in section 110. Let me assure you that this language deals only with the time periods for filing appeals with the Court of International Trade and in no way does it confer authority on the Commission to base determinations on the subsidy level or dumping margin. I also want to assure you we will work with the Senate to modify the language and correct the problem, but since it is a very minor technical change, I do not see any need for us to deal with it at this time.

Mr. JENKINS. Mr. Chairman, I thank my subcommittee chairman very much for that response.

Mr. O'BRIEN. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Illinois.

(Mr. O'BRIEN asked and was given permission to revise and extend his remarks.)

Mr. O'BRIEN. Mr. Chairman, I rise today in support of the Trade Remedies Reform Act of 1984. I commend my colleagues on the Ways and Means Committee for their diligent efforts to bring this bill to the floor in such a timely manner. During 7 full days of extensive hearings and several more markup sessions, the committee was deluged with requests and suggestions for modification of present law by Members of Congress, executive branch officials, trade associations, labor unions, retail and consumer groups, individual companies, legal practitioners, academicians, and others.

An important concept underlying the committee's actions with respect to the reform of our trade remedy laws is that the international marketplace has changed rapidly and dramatically in recent years. Industries in the United States must rely extensively on the ability of our trade laws to ensure that free and fair opportunities exist for trade within our marketplace. The strength of our economy also depends upon the rules of trade and how they are enforced.

Most would agree that Congress must address the unfair challenges our domestic industries face in the international marketplace by fine-tuning present law. Our trade laws must adapt to the reality of trade problems which exist in the international business environment and the time for us to act is now.

I would like to point out several significant features contained in this bill. H.R. 4784 includes important provisions which require the Commerce Department and the International Trade Commission to take an activist role against persistent dumping of the same product by producers in different countries.

Section 104 of the bill is designed for the domestic producer who has brought a successful antidumping petition within a prior 2-year period and is plagued by a shift of the injurious dumping practices to producers in other countries. The provision strengthens present law which permits the Commerce Department to self-initiate investigations in cases where persistent dumping can be shown. If Commerce decides not to act following an allegation of persistent dumping, it would be required, along with the ITC, to monitor imports of the product for at least 1 year. This provision shifts some of the burden on the U.S. Government to initiate cases on behalf of producers encumbered by the necessity to file multiple trade petitions.

In section 105, the scope of the antidumping and countervailing duty statutes is broadened to include the more subtle unfair trade practices employed by our trading partners. The list of practices defined as subsidies is expanded to include the sophisticated techniques which governments now utilize such as export targeting, natural resource subsidies, and upstream subsidies.

The legislation also contains relief for the U.S. producers who are adversely impacted by the phenomenon known as downstream dumping. Foreign producers who buy dumped components for use in the production of goods destined for the U.S. market will not be allowed to pass on the unfair cost advantage to our market.

Finally, I would like to point out that this bill provides for the establishment of a Trade Remedy Assistance Office within the ITC to advise industries. Smaller firms without adequate revenues to gather data and bring cases to fight unfair trade practices will gain greater access to the remedies available by law.

The countervailing duty and antidumping laws are most frequently used by domestic industries harmed by unfair trade practices. It is therefore fitting that this bill addresses the necessary revisions to these provisions in the law. I know that the Trade Subcommittee intends to tackle the adequacy and operation of our other trade remedy laws at their earliest opportunity.

In conclusion, I believe that H.R. 4784 represents a thoughtful, pragmatic approach to U.S. trade policy and is completely consistent with our obligations under the GATT. I urge my colleagues to join me in supporting this bill.

Mr. JENKINS. Mr. Chairman, H.R. 4784, the Trade Remedies Reform Act of 1984, before us today makes major changes in current trade regulations concerning procedures and definitions for imposing counterveiling duties and antidumping duties in the Trade Agreement Act of 1979. The bill will streamline and clarify our basic unfair trade laws to address the growing problem of dumped and subsidized imports. H.R. 4784 addresses new unfair trade practices, reduces costs and delays, and improves administrative procedures.

Extensive hearings were first held by the Ways and Means Subcommittee on Trade in 1981 and 1982 in order to give all sides an opportunity to testify on improvements needed in current trade laws. The distinguished chairman of the subcommittee on Trade, SAM GIBBONS, worked diligently for many months to incorporate those ideas and suggestions into the Trade Remedies Reform Act of 1984. When the bill was first drafted, members of the Trade Subcommittee worked through many long sessions revising Mr. GIBBONS' original bill to remove some of the more objectionable provisions. Numerous revisions were made on the subcommittee level and in the full Ways and Means Committee on H.R. 4784.

In particular, I worked closely with AFTAC which is a coalition of 18 trade associations and 2 labor unions representing the fiber/textile/apparel complex of the United States in Trade Subcommittee and full committee to resolve their objections to the bill. The AFTAC coalition is representative of an industry with facilities in 50 States, with employment totaling 2.4 million and sales accounting for $105 billion. At a time when our trade deficit is reaching new record levels every month, we need relief more than ever to provide effective relief against foreign dumping and subsidies.

The bill, as passed by the Ways and Means Committee, is supported by AFTAC and I urge Members to vote for this important legislation on the floor.

Mr. FRENZEL. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Pennsylvania [Mr. SCHULZE], a member of the Subcommittee on Trade.

(Mr. SCHULZE asked and was given permission to revise and extend his remarks.)

Mr. SCHULZE. Mr. Chairman, as a cosponsor of the Trade Remedies Reform Act, I would like to emphasize my support for this legislation. I am pleased to have been a participant in the effort to bring this measure to a final vote. In particular, I commend my colleagues on the trade subcommittee for their cooperative spirit in developing a bill which addresses complex and rather subtle trade problems.

Without reiterating the specific provisions of this bill, I would like to underscore why this new legislation is vital to our Nation's domestic firms and workers.

SPECIALTY STEEL INDUSTRY OF THE UNITED STATES
Suite 308 / 1055 Thomas Jefferson Street, NW / Washington, D.C. 20007 (202) 342-8450

STATEMENT OF

THE SPECIALTY STEEL INDUSTRY OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ON TRADE REFORM LEGISLATION

(S. 2845, S. 2952, and S. 2963)

September 5, 1984

The Specialty Steel Industry of the United States is a nonprofit corporation and trade association representing 17 producers of tool and stainless steel. The names and locations of the firms represented in the Specialty Steel Industry of the United States are contained in Exhibit A to this statement.

The 17 producers account for about 90 percent of U.S. production of specialty steel products. The specialty steel industry is an efficient, technologically up-to-date and export-oriented branch of the steel industry. Unfortunately, the specialty steel industry has had to devote substantial time and resources in recent years to deal with the problem of specialty steel imports. Attached as Exhibit B is the industry's testimony before the Subcommittee on Trade of the House Ways and Means Committee, presented on March 16, 1983. An exhibit to that testimony chronicles the industry's efforts to deal with the import problem through the beginning of 1983. Since the beginning of 1983, the industry has gained even more experience under the trade laws, experience that we hope will benefit the Subcommittee's consideration of the legislation before it.

As indicated in our testimony before the House Ways and Means Committee, the Trade Agreements Act of 1979 made vast improvements in the trade remedy laws that existed prior to that Act. Our experience since passage of the 1979 Act, however, indicates that the law still needs significant changes. Our industry prefers a comprehensive approach to trade law reform and therefore endorses wholeheartedly S. 2139, the proposed Comprehensive Trade Law Reform Act of 1983. We recognize that, given the limited time left in this session of the 98th Congress, comprehensive trade law reform may not be possible. The bills pending before you, S. 2952, S. 2845, and S. 2963, are less than comprehensive, but all take significant steps in the right direction of trade law reform. The following comments will be limited to those three bills.

S. 2952

If enacted, S. 2952, sponsored by Senators Heinz, Moynihan and Mitchell, would represent a substantial improvement in the operation of the trade laws of the United States. The sponsors of this bill are to be congratulated for their efforts. We agree wholeheartedly with the provisions of S. 2952.

Of particular importance is section 3 dealing with the cumulative impact of imports. Section 3 would require that the International Trade Commission, in making its injury determinations, cumulate (that is, add together) imports of like products from different countries subject to investigation when such imports compete with each other and with domestic products in the U.S. market. We think it is important that the Commission cumulate both in preliminary and final antidumping and countervailing duty investigations. Section 3 would require cumulation at both stages, thereby complementing a recent decision by Judge Watson of the Court of International Trade, which upheld cumulation in preliminary investigations by the ITC. We think that the report language accompanying this provision should make it clear that the Commission should cumulate imports of a product subject to an antidumping investigation with the same product (although perhaps from a different source) that is the subject of a countervailing duty investigation. Although different statutory provisions are involved, if the unfairly traded imports compete with each other in the U.S. market, they should be cumulated.

Section 4, which deals with the threat of material injury, is another useful provision of S. 2952. By spelling out the criteria for the Commission's consideration of the threat issue, the bill fills a void in existing law. We would prefer to see additional criteria to be considered by the Commission in making decisions on threat of material injury, such as whether closing of third country markets to the exports in question increases the likelihood of exports of the product to the United States. Nevertheless, section 4 is a significant improvement over existing law and the Specialty Steel Industry of the United States supports it.

Section 10 would make clear that a foreign government's domestic subsidies that are provided, directly or indirectly, to a specific industry or group of industries are countervailable. The section would also clarify that subsidized inputs are countervailable when their benefits are passed through to the producers of the end product. Both these provisions would underscore that indirect as well as direct subsidies can benefit foreign producers and are countervailable under U.S. law.

Section 12 would require the Department of Commerce, when constructing the foreign market value of a product, to take into account preferential pricing of inputs when they are found to be unreasonable (that is, discounted or below the cost of production). This is an extremely important provision. Under present practice, if the Commerce Department finds, when constructing the value of a foreign product, that the input has been subsidized, Commerce nevertheless uses the subsidized price rather than the true cost of the input when making its calculations. As a result, the constructed value of the product often is unreasonably low. Rather than file a separate countervailing duty case on the subsidized input, as Commerce sometimes suggests, it makes sense to determine the true value of the input when attempting to construct the value of the product for purposes of the dumping law. This section would thus close a significant loophole that allows foreign producers to avoid dumping duty liability by selling their products in their home market at low prices through the benefit of subsidized inputs. Therefore, the Specialty Steel Industry of the United States strongly supports section 12.

Under existing law, the domestic industry must spend considerable time and money to obtain a final antidumping order. Yet, immediately after a lengthy proceeding that results in significant dumping margins being established, existing law allows importers to request and obtain an expedited review of the antidumping order. As a result, the hard-won benefit of the antidumping order is immediately undermined. Section 14 of S. 2952 would add new restrictions on the so-called "fast track" review provisions of section 736(c) of the Tariff Act of 1930. Specifically, the bill would not allow a fast track review if the original investigation had been extended, or if the fast track review is unlikely to result in a significant difference from the initial investigation in the anticipated margin. Furthermore, the bill would only allow use of representative sales as the basis for a review rather than a few selected sales. Although the Specialty Steel Industry of the United

States believes that section 736(c) should be deleted entirely, the amendments contained in section 14 would make this provision more palatable to domestic petitioners.

If section 736(c) is to be retained with these amendments, the Specialty Steel Industry would make two further suggestions. First, the domestic industry should be able to comment and fully participate in a proceeding if the Commerce Department decides to permit the posting of a bond and the conduct of an expedited review. Second, because of the expedited nature of the proceeding, the normal procedures for release of confidential information are often too cumbersome to permit meaningful participation by domestic interested parties. We urge the Committee to require the automatic release of confidential information by the respondents as a condition to obtaining an expedited review.

The Specialty Steel Industry strongly supports section 15 of the bill, which would modify existing U.S. law in order to ensure effective monitoring and enforcement of foreign government measures that involve steel product export licenses. This provision would make more enforceable agreements for the limitation of imports designed to remedy injury suffered by the domestic steel industry.

Our emphasis on these provisions of S. 2952 does not undermine the Specialty Steel Industry's support for the other provisions of this bill. It is a worthwhile and important piece of legislation and we strongly support it.

S. 2963

In general, we support S. 2963 and believe it to be a commendable effort to reform the trade laws. However, we do have reservations about some provisions of the bill. Perhaps concern with the expense of pursuing trade law remedies accounts for section 3 of S. 2963, which would have appeals of countervailing and antidumping duty decisions brought to the Court of Appeals for the Federal Circuit rather than the Court of International Trade. We think this would be a mistake. Although appeals from most countervailing duty and antidumping determinations are on the agency record, and therefore are appellate in nature, the Court of International Trade has developed substantial expertise in these kinds of judicial proceedings. Under the Court of International Trade's Rule 56.1, which is designed specifically to deal with appeals from countervailing duty and antidumping determinations, the Court has employed the proper procedures for resolving these kinds of cases. We therefore oppose section 3.

Judicial review of the Commerce Department's antidumping and countervailing duty determinations is in a virtual state of chaos. Under recent court decisions, it is often difficult to know when to appeal "affirmative" or "negative" determinations by the administering authority. Section 4(c) of S. 2963 attempts to deal with this problem in an acceptable way. 1/ The bill would allow appeals of certain negative aspects of a final affirmative determination within 30 days of that final affirmative determination and would define as a final negative determination any part of the final affirmative

---

1/ However, the Specialty Steel Industry of the United States opposes section 4(d) which appears to authorize the International Trade Commission to consider the size of a dumping or subsidy margin in making its injury determination. This provision should be deleted.

determination which specifically excludes any company or product. Although this is a significant clarification of existing law, we believe that an even more simple solution is available.

Rather than trigger an appeal based on a characterization of an agency decision as "affirmative" or "negative," the trade law should, like other statutes dealing with appeals from agency actions, allow an appeal from any final agency action that aggrieves a particular party. Because a foreign interested party is unlikely to be aggrieved until the actual entry of an antidumping or countervailing duty order, those foreign interests, as defined in section 771(9)(A) and (B) of the 1930 Tariff Act, should not file an appeal except after entry of the antidumping or countervailing duty order. Domestic interested parties as defined in current paragraphs (C), (D) and (E) of that subsection should have the option of appealing within 30 days of the final Commerce Department determination (whether denominated affirmative or negative) or 30 days from the entry of an antidumping or countervailing duty order. [2/] By eliminating the need to divine the nature of a determination (i.e., negative or affirmative), much of the guess work over the timing of appeals could be eliminated and parties would not unwittingly be denied their day in court.

Under section 773(f) of the Tariff Act of 1930, the Commerce Department may use averaging and sampling techniques in rare instances to determine foreign market value. In our view, the Commerce Department has already employed this provision in cases not con-

---

[2/] The language that would accomplish this end is attached as an exhibit to this statement.

templated by Congress when it enacted the Trade Agreements Act of 1979. Section 9 of S. 2963 would expand the authority of the Commerce Department to use sampling and averaging techniques in connection with administrative reviews and for determining United States price. We oppose this expansion of authority.

The antidumping law is transactional in nature, attempting to compare a price at a particular time in the home market with the price at a particular time in the United States market. By allowing averaging of United States prices as well as averaging of foreign market values, the provision would allow the foreign producer to dump to obtain particular sales in particular transactions but have those dumping margins obscured through the use of averages. Thus, adoption of averaging techniques for U.S. price calculations could seriously undermine the effectiveness of the antidumping law. We strongly oppose this provision.

Section 18 would change the definition of related parties for purposes of the antidumping and countervailing duty laws by eliminating the phrase "any interest in" in paragraphs (B) and (C) of section 771(13) of the Tariff Act of 1930 and by raising the level of equity interest from 5 to 20 percent. The Specialty Steel Industry of the United States opposes this provision. Any equity interest can distort what would otherwise be an arm's-length relationship between parties. By narrowing existing law as proposed in section 18, the bill would authorize reliance on transactions that may be distorted by the relationship between the parties to the transaction. The Specialty Steel Industry recommends that existing law concerning the related party definition be retained.

Section 19 would replace the phrase "wholesale quantities" with the phrase "commercial quantities" in certain places in the law. The phrase "wholesale quantities" is well defined by the customs law and cases decided under that law. The phrase "commercial quantities" is not defined. Without a clear definition of the term "commercial quantities" and a better explanation of this proposed amendment, we cannot support section 19.

Subsection (a) of section 21 of the bill would make a useful clarification of the time at which foreign market value of a product is determined for purposes of the antidumping law. Subsection (c) of section 21, however, would allow the Commerce Department to disregard sales in a home market if the volume of sales in that market are small compared to sales in export markets (including the United States). The Specialty Steel Industry is concerned about those producers who export most of their products and have relatively low home market volumes but well protected home markets. If section 21 allows the Commerce Department to disregard the higher home market prices and instead rely on lower-priced sales to third countries as the basis for the comparison with U.S. prices, an improper comparison would be used. We therefore strongly oppose this provision.

S. 2845

S. 2845 would amend section 201 of the Trade Act of 1974. As an industry that has participated just recently in a proceeding under section 201, we understand the background of S. 2845 and wholeheartedly support this legislation. Our only concern is that the bill does not go far enough. As indicated in Exhibit B, the Specialty Steel Industry believes that the "substantial cause" requirements of section 201 is an illusive and difficult standard to meet. Moreover, it is a standard that is not required by article XIX of the General Agreement on Tariffs and Trade. We believe that Congress should amend the causation standard to eliminate the "substantial cause" requirement and instead adopt the GATT article XIX test of "imports as a cause of serious injury."

The recent carbon and alloy steel investigation under section 201 suggested the need for two other minor changes in the statute. In that proceeding, the International Trade Commission determined that a relative increase in imports satisfied the increased imports requirement of section 201(b)(1) as well as the substantial cause requirement of section 201(b)(2)(C). We believe the Commission's interpretation is absolutely correct. In order to avoid unnecessary debate in future cases, however, we recommend that import increases in either absolute quantities or relative to domestic production be specifically identified as satisfying the staturoty requirement of increased imports.

Perhaps more important is section 203(d) of the Trade Act of 1974. 19 U.S.C. § 2253(d). That provision requires that if the President imposes quantitative restraints as a remedy under section 201, he must determine the most representative period and ensure that quantitative restraints do not allow imports to fall below the quantity or value of imports allowed into the United States during the earlier representative period. The quantity or value provision does not speak in terms of absolute quantity or value and it is our belief that relative quantity or value, such as a market share approach, satisfies the statutory provision. The Commission has never squarely addressed this issue, but has assumed that an absolute quantity floor is required under the statute. As a result, the recent remedy recommendations in the carbon and alloy steel case, which included a minimum tonnage floor for imports, resulted in the recommendation of an inadequate remedy. Indeed, the ITC's minimum floor recommendations resulted in a conflict with the statutory requirement that the Commission recommend a remedy that would actually remedy the serious injury determined to exist. In order to clarify this provision, we recommend that section 203(d) specify that relative quantity or value in an earlier representative period is the appropriate safeguard.

In sum, we applaud the sponsors of these bills. These bills are positive steps on the road to true trade law reform. We urge their enactment, with the modifications suggested above, by the 98th Congress.

BEFORE THE SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE

STATEMENT OF THE TANNERS' COUNCIL OF AMERICA, INC. ON TRADE LAW REFORM LEGISLATION

I. INTRODUCTION

The Tanners' Council of America, Inc. ("TCA") welcomes this opportunity to comment on proposed amendments to the U.S. international trade laws. Trade law reform will have a significant impact on the U.S. tanning industry, benefiting the industry directly and indirectly through leather products manufacturers. TCA and the members of the U.S. tanning industry commend the Subcommittee for its efforts, and encourage this Congress to enact meaningful and effective reforms of the U.S. international trade laws.

II. INTEREST OF TCA

A. Description of the U.S. Tanning Industry

TCA is a trade association incorporated in the District of Columbia comprised of members of the U.S. leather tanning, supplier and foreign tanning industries. Formed in 1917 to facilitate industry mobilization and production during World War I, TCA is one of the oldest trade associations in the United States. It currently has more than 100 tanner members, and represents the vast majority of leather tanners and finishers in the United States. TCA members are located in 34 states, with the largest concentrations in the New England states, New York, New Jersey, Pennsylvania, Tennessee, Wisconsin and California.

The U.S. tanning industry is comprised essentially of leather tanners and finishers. Tanners procure raw or cured hides and skins and convert them into finished leather. Finishers and processers generally convert semi-finished leather into finished leather, often on a contract basis. Finished leather is the raw material for leather products manufacturers, who cut the leather into desired shapes for the manufacture of footwear, luggage, handbags, personal accessories, wearing apparel and gloves. In addition, finished leather produced by tanners is consumed by automobile and furniture manufacturers for upholstery, by baseball and baseball glove manufacturers, and by harness and saddle manufacturers.

It should be emphasized that many U.S. tanners are small enterprises. Many domestic tanners are family owned and operated businesses that have been in existence for several generations. Moreover, many U.S. tanners are located in rural areas or low population centers where alternative opportunities for employment are limited.

B. Impact of International Trade on the U.S. Tanning Industry

Despite the relatively small size of many members of the U.S. tanning industry, commerce in leather and leather products is conducted in an international environment. International trade in hides and leather is substantial and of increasing importance for U.S. tanners. In addition, U.S. imports of leather products have grown steadily and dramatically for more than a decade. The actions of this Subcommittee accordingly will have a very real impact on the environment in which U.S. tanners must compete, and on the ability of U.S. tanners to ensure fair conditions of trade.

If purely commercial and economic factors were to hold sway, the U.S. tanning industry would be in a much better state of economic health. The U.S. tanning industry enjoys several economic advantages -- such as an abundant supply of high quality raw materials, ample supplies of tanning chemicals and modern and efficient production techniques -- that should translate into substantial commercial advantages over its foreign competitors. But the combined effect of import erosion of domestic leather consuming industries and foreign government interventions in their raw material and leather markets has negated these advantages and resulted in a steady decline in the U.S. tanning industry.

1. Erosion of Domestic Leather Markets

U.S. imports of leather products have increased dramatically in value. These surges occurred in every category of leather products; indeed, the value of imports has more than doubled in every category except leather wearing apparel since 1975. U.S. imports of all leather products grew in value from $1.6 billion in 1975 to $5.2 billion in 1983. Surging imports have caused declining production in all segments of the leather products sector. In 1983, import penetration by value stood at 59 percent for leather wearing apparel, 46 percent for leather handbags, and 39 percent for leather luggage. According to the 1984 U.S. Industrial Outlook, domestic production in all segments of the leather products sector can be expected to decline even further.

The most significant leather products category, both in terms of the size of the increase in imports and the portion of total imports represented, was nonrubber footwear. In 1983, for example, nonrubber footwear imports accounted for $3.7 billion of a total $5.2 billion in leather products imports. The import penetration ratio (by quantity) in recent months has exceeded 70 percent of apparent domestic consumption.

These surges have had a devasting impact on the U.S. tanning industry. Sixty percent of all finished leather consumed in the United States in 1983 was consumed by the nonrubber footwear industry. As a consequence of surging footwear imports and declining footwear production, production and shipments of footwear leather by U.S. tanners has declined dramatically. Both production and shipments of cattlehide leather during 1983 (which is the predominant type of leather used in footwear production) were nearly five million equivalent hides below levels attained in 1976. More specifically, production and shipments of shoe upper leather in 1983 stood more than six million sides below levels achieved in the peak year of 1976. From the peak year of 1976, production and shipments of shoe lining leather dropped from 1.3 million sides to less than 500,000 sides in 1983. Although separate statistics on sole leather production and shipments are not maintained, the 1984 U.S. Industrial Outlook reports that sole leather consumption fell by 10 percent in value from 1982 to 1983.

Surging imports of leather products thus have had severe ramifications for the U.S. tanning industry. Given the U.S. tanning industry's natural competitive advantages, a substantial increase in exports of leather to burgeoning foreign leather products industries could have been expected. But unfair foreign governmental intervention in their raw hides and leather markets have prevented U.S. tanners from replacing domestic demand with exports.

2. Artifical Distortion of Leather Export Markets

In the raw hide markets, countries with substantial hide supplies have effectively closed their borders to hide exports. India has barred the export of goat skins. Brazil and Argentina have forbidden or seriously impeded the export of cattlehides through embargos and export tariffs for more than a decade.

These artifical reductions in available world raw material supplies have had two injurious effects on the U.S. tanning industry. First, these governments have insulated their respective markets from world demand. By limiting demand pressure on their hide pools, they have reduced raw material prices to their local tanning and thus leather products industries. Leather and leather products are then exported to the United States and third countries causing further erosion in the domestic and foreign markets of U.S. tanners.

Second, the reduction in the available supply of cattlehides by Brazil and Argentina has caused world demand to focus on the United States. TCA estimates that the United States accounts for approximately 75 percent of world trade in cattlehides. Roughly 55 to 60 percent of total domestic cattlehide supply has been exported annual since 1975. The major destinations of these exports included the sources of the majority of U.S. nonrubber footwear imports in 1983: Korea, Taiwan and Italy.

This demand pressure has increased the price of cattlehides in the United States, and thereby decreased the competitiveness of the

U.S. tanning industry. These price effects became particularly acute in 1979, when the estimated total slaughter reached its lowest level during the period, 69 percent of the total slaughter was exported, and cattlehide prices rose to an historic peak. Further, massive exports of U.S. cattlehides have allowed countries without commercially-significant indigenous hide supplies to increase local value-added and create enormous leather products industries.

Under the twin bludgeons of eroding domestic markets and artificial interference with foreign raw material and leather markets, the U.S. tanning industry has declined substantilly over the last decade. The value of domestic shipments, though increasing in nominal terms, declined in 1972 constant dollars from $912.2 million in 1977 to $769.0 million in 1983. Total employment dropped from 23,000 workers in 1977 to 18,500 workers in 1983, and the number of production and related workers fell from 19,600 workers to 15,500 workers over the same period.

III. COMMENTS ON PENDING TRADE REFORM PROPOSALS

The effective regulation of international trade in leather and leather products thus is critical to the future of the U.S. tanning industry. TCA believes that the trade reform proposals now under consideration by this Subcommittee -- specifically, S. 2845, S. 2952, and S. 2963 -- will be an important step in achieving that objective. TCA commends the sponsors of these proposals and this Subcommittee for their efforts toward improving the effectiveness of international trade laws.

TCA generally endorses the comments made on these proposals by the Trade Reform Action Coalition ("TRAC"). TRAC's continuing efforts to advance trade law reform and its specific suggestions have been of great benefit to American industry. TCA encourages the Subcommittee to carefully review TRAC's suggested modifications and to take them into consideration in its deliberations.

Nevertheless, TCA does have several specific comments on aspects of the proposals of direct interest to the U.S. tanning industry. TCA encourages the Subcommittee to consider the following comments in its deliberations on pending trade law reform measures.

A. Amendments to the Escape Clause

TCA commends Senators Danforth, Mitchell, Cohen, Eagleton, Helms, Moynahan, Heinz, Kasten, and Rudman for introducing S. 2845, a bill that would amend section 201 of the Trade Act of 1974 -- the so-called "escape clause." That measure would add important refinements to the process of determining whether a domestic industry is being seriously injured by surging imports.

The need for the amendments proposed by S. 2845 was made emphatic by the recent determination of the U.S. International Trade Commission in the nonrubber footwear investigation. In that investigation, the ITC determined that dramatically surging imports were not a substantial cause of serious injury to the U.S. non-rubber footwear industry. The negative determination was reached despite the pervasive penetration of the U.S. market by imports, which then accounted for nearly 70 percent of apparent domestic consumption. The ITC relied on the profitability enjoyed by a relatively small number of firms in the domestic industry, and the fact that a significant portion of imports were accounted for by domestic producers.

The amendments effected by S. 2845 would ensure that such an anomalous decision is not repeated. S. 2845 would force the ITC to consider more than profits in reaching its decisions. Moreover, S. 2845 would require the ITC to consider all imports in determining injury, as opposed to just imports not being made by domestic producers.

The latter reform is of particular concern to members of the U.S. tanning industry. In the footwear investigation, it became clear that imports of leather footwear and imports of leather uppers used to assemble leather footwear in the United States were increasing steadily. TCA does not consider such an increase in reliance on foreign production and foreign subassemblies as an indication of economic health. Those practices rather should be viewed as a sign of economic weakness, for they signal that domestic producers are deciding that they cannot effectively compete with imports absent full or partial importation. As a matter of policy, moreover, the United States should not favor trends toward mere assembly in the United States. Such a policy would reduce value-added in the United States and have a devastating impact on employment.

B. Small Business Trade Remedies

TCA commends Senators Cohen, Chaffee, and Danforth for introducing S. 2963, the Small Business Trade Remedies Act of 1984. Small businesses frequently have been deterred from seeking the remedies available to them under U.S international trade laws by the excessive cost and complexity of relief proceedings. S. 2963 seeks to alleviate those burdens by providing direct assistance to small businesses and by streamlining the administrative procedures required under U.S. international trade laws. This proposal would benefit members of the U.S. tanning industry -- many of whom are small, family-owned enterprises -- greatly, and TCA encourages the Subcommittee to include these proposals in any trade law reform.

TCA encourages the Subcommittee to consider the following comments on these proposals in its deliberations. First, the procedures required to obtain disclosure of confidential information to counsel in international trade law proceedings may be the most burdensome and non-productive procedure in the international trade laws. Considerable time and resources are required first to qualify for disclosure and second to specifically request the multitude of documents submitted in an investigation after they have been made part of the administrative record. The excessive time and resources devoted to this procedure are particularly burdensome for small businesses, because obtaining confidential information is merely the preliminary step to meaningful participation in an investigation.

TCA suggests that the requirements contained in section 105 of S. 2139, the Comprehensive Trade Law Reform Act of 1983, be incorporated in section 7 of S. 2963. That provision would allow eligibility for disclosure to be determined early in an investigation, and ensure that requests are acted upon promptly. TCA believes that these amendments will facilitate the disclosure of confidential information to counsel for interested parties, while simultaneously protecting the interests of parties submitting confidential information, and thereby ease the burden of the excessive existing procedures on small businesses.

Second, section 10 of S. 2963 allows interested parties to waive verification in countervailing duty investigations leading to expedited preliminary determinations. Section 10 would allow eligible representatives of petitioners and interested parties three days following disclosure in which to review confidential information and to decide whether to furnish an irrevocable written waiver of verification. TCA believes that the three-day time limitation may be restrictive for small businesses. A three-day time limit in which to review voluminous information would be burdensome even for large companies involved in a countervailing duty investigation. For small businesses, the three-day limit would prevent meaningful analysis -- absent excessive costs -- upon which to base a decision as to whether a waiver of verification should be submitted.

Third, section 3 of S. 2963 would eliminate a step in the process of judicial review by authorizing appeals directly to the U.S. Court of Appeals for the Federal Circuit from determinations made under Title VII of the Tariff Act of 1930. Although this proposal would reduce expenses, it would also reduce the flexibility enjoyed by interested parties seeking judicial review. S. 2963 does not specify whether all issues that could be now raised before the U.S. Court of International Trade could also be raised before the U.S. Court of Appeals for the Federal Circuit. Moreover, the U.S. Court of International Trade has developed great experise in reviewing agency determinations under Title VII, and interested parties would be denied the benefit of that expertise under this proposal. TCA urges the Subcommittee to retain the existing provisions of law directing appeals from determinations under Title VII of the Tariff Act of 1930 to the U.S. Court of International Trade.

IV. CONCLUSION

Reform of the U.S. international trade laws will be vital to the future of the U.S. tanning industry. Commerce in leather and leather products is international in scope, and only the safeguards provided by the U.S. international trade laws ensure that trade in leather and leather products is conducted on a fair and equitable basis. TCA commends the Subcommittee for its efforts to improve the international trade laws, and encourages the Subcommittee to seek the enactment of appropriate trade law reforms in this session of Congress.

STATEMENT OF THE

TRADE REFORM ACTION COALITION

TO THE U.S. SENATE

COMMITTEE ON FINANCE

SUBCOMMITTEE ON INTERNATIONAL TRADE

REGARDING S.2845, S.2952, S.2963

SEPTEMBER 5, 1984

Introduction and Summary

The Trade Reform Action Coalition (TRAC), whose members are listed in the attachment, is pleased to present its views on the three pending trade law reform bills numbered S.2845, S.2952 and S.2963.[1/] TRAC is an alliance of U.S. companies, trade associations, and workers in the automotive parts, chemicals, coal, color televisions, fiber/textile/apparel, footwear, furniture, leather goods, metalworking, nonferrous metals, and steel industries. Major industries that are part of TRAC are in all 50 states, and they account for over $330 billion in annual domestic shipments and over 5.5 million workers. Probably the largest private sector coalition ever formed on behalf of comprehensive trade law reform, TRAC is especially gratified that, in now calling for public comment on these bills, the Senate Finance Subcommittee on International Trade is demonstrating its own concern in the critical areas of U.S. trade law.

It has been ten years since the 1974 Trade Act (the last "escape clause"/ Section 201 reforms) and five years since passage of the Trade Agreements Act of 1979 (the last antidumping and countervailing duty reforms). During these years the international trading system has undergone vast changes, but U.S. trade laws have not kept pace. Increasing inequities have come to light, and in many cases there is urgent need for clarification of complex, disputed provisions. As a result, TRAC was formed in June 1983 to bring these problems to the attention of the 98th Congress in the hope that needed amendments might be made.

Over the last ten months TRAC has strongly supported S.2139 (the Comprehensive Trade Law Reform Act of 1983), because this is the only piece of pending legislation that addresses in a comprehensive manner urgently needed reforms in all major U.S. trade statutes (see attached section-by-section analysis). However, we welcomed the bipartisan vote in the U.S. House of Representatives five weeks ago in passing H.R. 4784 as a step in the right direction (though we indicated we would seek changes on the Senate side), and we take much the same view with respect to S.2845, S.2952 and S.2963. Though the three bills considered here fall short of the comprehensive approach taken in S.2139, each of them contains important elements of trade law reform that deserve the full Senate's support and that of Congress as a whole.

Each of the three Senate bills addresses distinct areas of existing trade law inadequacy, and our comments address each bill in numerical order. S.2845 is important, because it would clarify at least some of the various criteria used in making Section 201 injury determinations. S.2952 is especially vital, since it alone would close major loopholes and clarify nagging ambiguities in our current antidumping and countervailing duty laws. S.2963 is also important, since it goes at least part way towards meeting the concerns of small businesses who would use the antidumping and countervailing duty laws. Taken as a whole, all three bills would be an important first step in the direction of comprehensive trade law reform.

[1/] It should be noted that, while all TRAC member organizations support the basic thrust of this statement, particular TRAC members may not necessarily agree with every single detail of each recommendation stated herein.

S.2845

TRAC commends Senator John Danforth for introducing S.2845. As Senator Danforth pointed out in his introductory statement on the Senate floor, S.2845 will "clarify the law to better reflect the intent of Congress when the law was enacted. It does so by making explicit certain elements that the Congress clearly intended the ITC to address during the consideration of a case under Section 201." TRAC agrees, but would urge the Committee to consider as well other essential changes in the U.S. "escape clause" (cited in the attached section-by-section analysis of S.2139).

What S. 2845 Does

S.2845 proposes several key changes in Section 201 to ensure that the International Trade Commission does not so narrow its focus of import injury as to contravene Congressional intent (as it did in its recent negative decision in the nonrubber footwear case). These changes are as follows:

1. Increasing imports by domestic producers would be considered as an indicator of serious injury. Such imports by domestic producers would be considered no differently than "non-captive" imports in determining whether imports were a substantial cause of serious injury. The Commission would thus be precluded from counting imports by domestic producers as part of the "domestic industry".

2. An upward trend in imports, either actual or relative to domestic consumption, would be made a specific indicator of threat of serious injury.

3. Evidence of rising profits would not preclude the Commission from reaching an affirmative determination of serious injury.

4. The Commission would be required to consider declines in production relative to consumption, plant closings, or the underutilization of capacity instead of focusing only on those plants operating at the time of the investigation.

5. The Commission would be directed to disregard certain factors that the President takes into consideration after receiving the ITC's recommendations (including the cost to the consumer of restrictions on imports).

What S.2845 Does Not Do and Needs to Do

TRAC endorses all five of these changes and encourages the Committee and the Congress to move expeditiously to enact them. However, much more needs to be changed before the "escape clause" statute can be a truly effective trade remedy vehicle for domestic industries seriously injured by increasing imports. For example, while S.2845 addresses the issue of the ITC's discretion in weighing certain injury criteria, it does not address the other side of the equation -- the very broad Presidential discretion which has allowed successive Presidents to ignore affirmative ITC findings of serious injury from imports. Currently the President can provide a remedy of his own choosing, or no remedy at all. As a result, since 1975, fewer than half of the cases referred to the President by the ITC with affirmative recommendations for import relief have actually resulted in relief being applied. Until last year, the Congress (by a majority vote of both houses) could at least override such decisions if it thought them to be unfair. However, since the Supreme Court struck down the legislative veto, this override authority of the Congress has been open to question. This is a situation clearly at odds with Congressional intent in 1974. In the 1974 Act, the President was given authority to ignore the ITC's recommendations if they were deemed not to be in the national economic interest, and the Congress was given the authority to override the President in such cases. Thus, the Trade Act of 1974 represented a clear trade-off between Congressional and Presidential authority.

Under the Constitution, the authority to regulate foreign trade rests with Congress and, while much of this authority has been delegated to the Executive Branch over the years, Congress in 1974 wisely sought to retain some of its authority with respect to Section 201 cases. It did so precisely in order to provide balance to the President's broad discretionary authority to deny or revise relief recommended by the ITC. The recent Supreme Court decision now casts doubt on the ability of Congress to exercise this authority through the override of Presidential decisions deemed to be unwise or unfair.

That is why TRAC strongly supports a provision in S.2139 which requires that, if the President decides to provide no import relief or a form of relief weaker than that recommended by the ITC, he must secure the approval of Congress through an expedited "fast-track" procedure similar to Section 151 of the Trade Act of 1974. Under this provision, if Congress does not vote affirmatively, the President would have to put the ITC's recommended import relief into effect. Thus, the ITC's recommendations would be final unless

Congress agreed with the President to take some action different than that recommended by the ITC or no action at all.

A second major change in S.2139 which TRAC strongly supports would make the standard for import injury causation no more onerous than that which is required by our obligations under Article XIX of the General Agreement on Tariffs and Trade. At present, U.S. law requires a petitioner to show a higher standard of causation ("substantial cause") with respect to import injury than is required under GATT ("cause"). TRAC agrees totally with the recent recommendation of the Industry Policy Advisory Committee For Trade Policy (IPAC) to eliminate the word "substantial" from the Section 201 injury causation standard.

In addition, we support a number of other important provisions in S.2139 that would help guarantee that industries receiving affirmative injury findings also receive effective import relief. For example, one such provision would require the ITC to review any orderly marketing agreements negotiated by the President to determine if they provide at least the same degree of import relief recommended by the ITC in its original determination. Under this provision, if the ITC were to find in the negative or were evenly divided, the President would be required to put the original ITC relief recommendation into effect. In sum, while TRAC very much supports the proposed changes in S.2845, we urge that the Committee consider the Section 201 changes cited above, as well as other essential "escape clause" changes which are embodied in Title II of S.2139.

S.2952

TRAC thanks the sponsor of this bill, Senator John Heinz, and co-sponsors Senators Patrick Moynihan and George Mitchell, for their continued vigorous efforts on behalf of trade law reform, and we strongly urge passage of S.2952 during this session of Congress. We do so because S.2952, taken as a whole, would materially improve existing U.S. antidumping (AD) and countervailing duty (CVD) laws. This legislation would broaden access, clarify ambiguities, close loopholes, simplify procedures and reduce costs for petitioners who would use these laws. While less comprehensive in its approach than Title I of S.2139, it nevertheless represents an essential first step in reform of U.S. AD and CVD laws.

Section 2 (burden of persuasion) would help ensure that respondents cannot defeat AD or CVD petitions by simply refusing to answer case-related questionnaires, as occurred in a recent preliminary determination involving steel wire rod from Czechoslovakia. By making it clear that the evidentiary burden in AD and CVD determinations falls on the party in possession of the facts to affirm or negate allegations made in the petition, Section 2 would have the added benefit of reducing costs and data requirements for petitioners in unfair trade cases. Our chief concern is whether the language applying this provision solely to the "only party" in a position to verify or negate allegations may be too narrowly constructed. However, we strongly support the principle embodied in Section 2.

Section 3 (cumulation) would require that the International Trade Commission, in making its injury determinations, consider the cumulative impact of imports of like products from different countries subject to investigations or final orders when such imports compete with each other and with like domestic products in the U.S. market. It would thus complement a recent decision by the Court of International Trade upholding the principle of cumulation in preliminary determinations, and prevent the unfortunate result seen in 1982 bicycle and steel cases whereby some Commissioners voted not to cumulate, thereby resulting in negative determinations. TRAC therefore strongly supports Section 3.

Section 4 (threat of material injury) would provide specific criteria for ITC Commissioners to consider when determining if a threat of material injury exists. It would not require action by Commissioners, but it would give them some specific guidelines to consider with respect to threat that are entirely lacking under current law. Section 4 does not contain a number of additional criteria related to threat which are included in S.2139 (such as those dealing with reference time periods), but it still represents a worthwhile improvement over the existing statute. TRAC therefore strongly supports Section 4.

Section 5 (extension of time lines) would require the petitioner's consent before the Commerce Department could extend AD or CVD time lines in "extraordinarily complicated" cases. This amendment would be consistent with the legislative history of the Trade Agreements Act of 1979, which made it clear that such extensions were to be rare because they provide the opportunity for an additional two months of injury to petitioners. It would thus preclude any future repetition of the abuse which occurred in 1982 under the previous administrators when time lines were extended in nearly three-fourths of all AD/CVD cases. While TRAC recognizes that the present administrators have had a good record in keeping to normal time lines, it is essential that provisional remedies be applied in as timely a manner as possible under every set of administrators. TRAC therefore strongly supports Section 5.

Section 6 (compromise of outstanding duties owed) would prohibit the compromise of outstanding duties owed, such as occurred in 1980 in a dumping case involving color TVs that was settled on the basis of 10 cents on the dollar. While that took place under a previous Administration, we believe that Congress never intended AD or CVD duties to be compromised in this fashion by any Administration. TRAC therefore strongly supports Section 6.

Section 7 (negative CVD injury determinations based on export taxes) would preclude the ITC from reaching negative injury determinations in CVD cases where there were outstanding orders in effect before 1980 (i.e., under the old law), and where the foreign government (under the new law) seeks revocation based on a promise to apply an export tax. This occurred in a 1983 ruling involving Brazilian footwear, and resulted in import surges and related injury to the domestic industry. TRAC strongly supports Section 7 as far as it goes, but we would point out that the export tax problem is considerably broader than that addressed in Section 7. For example, in two 1982 CVD suspensions involving Brazilian steel, the Commerce Department subsequently discovered that the Brazilian government failed even to collect the tax for more than eight months. Mandatory verification of collection would help but, even then, foreign governments could still refunnel money back into the pockets of their subsidized, government-owned firms. That is why S.2139 would preclude the Department of Commerce from suspending CVD investigations or revoking CVD orders based on the export tax. At the very least, Section 7 should be amended to prohibit the Commerce Department from using the export tax (as an offset, as a settlement device or as a basis for revocation) with respect to foreign government-owned or regulated entities.

Section 8 (interested parties) would ensure that ad hoc labor/industry coalitions such as COMPACT (the Committee to Preserve American Color Television) have the opportunity to initiate and participate in AD and CVD proceedings, and would thus correct an oversight in the Trade Agreements Act of 1979. Since we do not believe Congress ever intended to deny standing to ad hoc labor/industry coalitions formed specifically to enforce the rights of companies and workers under the trade laws, this oversight should now be corrected. TRAC therefore supports Section 8.

Section 9 (simultaneous investigations) would extend final CVD determinations to the date of final AD determinations for AD and CVD petitions which are filed simultaneously and which involve like imports from the same or other countries. This would not be injurious to petitioners since it would not extend the date for preliminary Commerce Department determinations, and would not be burdensome to the Department of Commerce because it would not shorten AD time lines. Instead, the likely effect of Section 9 would be to reduce costs for petitioners, respondents and the Commerce Department in those situations where it would be invoked. TRAC therefore supports Section 9.

Section 10 (clarification of countervailable subsidies) would clarify that foreign government domestic subsidies which are explicitly or effectively provided, whether directly or indirectly, to a specific industry or group of industries are countervailable subsidies. This would accord with the intent of Congress in 1979 that the Commerce Department should determine countervailable domestic subsidies based on their direct or indirect effects, and would also conform to the Department's own ruling in a recent CVD case involving Brazilian iron ore. In that case, the Department determined preliminarily that, while Brazilian iron ore subsidies were ostensibly available to all industries, they were effectively provided only to one industry and were therefore countervailable (a principle not disputed in the final negative ruling). Section 10 would also clarify that foreign government-subsidized inputs (i.e., upstream subsidies) are countervailable when their effects are passed through to the producers of the end product. This would codify what the Commerce Department itself says is present practice, and would ensure that the Department not interpret countervailable subsidies in such a narrow way as to contravene Congressional intent. TRAC therefore strongly supports Section 10.

Section 11 (country-wide CVD determinations) would require a presumption of country-wide (rather than company-specific) CVD determinations, except where significant subsidy differentials exist between companies securing benefits or in the case of state-owned companies receiving direct cash infusions. This would allow the Department of Commerce to presume a weighted average subsidy margin with respect to different companies within the same country that export like products under investigation (except where it is clearly unfair to do so), and would hopefully address also the concerns expressed in a pending appeal before the Court of International Trade. In this pending appeal, LTV Steel and other plaintiffs have urged the application of a country-wide CVD margin with respect to three Brazilian steel producers affected by final CVD rulings (with margins ranging from 17 to 62 percent), because the holding company which owns the three companies has announced that it plans to re-direct its exports of the affected product to the company with the lowest margin. This provision is intended to ensure against such trade law evasion and also ease the administrative burden on the Commerce Department. While TRAC still seeks to clarify that the language in Section 11 would cover cases of trade law evasion similar to the one involving Brazilian steel, we support the principle embodied in Section 11.

Section 12 (preferential pricing of inputs and constructed value) would direct the Department of Commerce to take preferential pricing of inputs into account and to construct value in both AD and CVD cases where the price of inputs into the finished product is found to be unreasonable (i.e., discounted or below the cost of production). By amending the definition of constructed value to include the full value of costs (rather than the purchase price paid by the importer), Section 12 would prevent the kind of trade law evasion which recently occurred when the Department of Commerce found a zero dumping margin in a case involving Italian forged undercarriage components for tractors. In that case, the Department ruled that present law did not allow it to consider whether the steel sold to Italian forgers had been sold at preferential prices, and therefore ruled that the forged undercarriage parts had not been dumped in the U.S. market. This provision would close the loophole which enables foreign producers of inputs to sell their products at preferential prices to exporters of finished goods in the same or third countries without fear of trade law consequences in the U.S. market. TRAC therefore strongly supports Section 12.

Section 13 (AD suspension agreements by quantitative restriction) would allow the Commerce Department to accept and enforce quantitative restriction (QR) suspension agreements with foreign governments or exporters in AD cases (provided they eliminate the injurious effects of dumping), as is presently allowed for CVD suspensions. In most cases, petitioners would prefer dumping (as well as subsidy) cases to go to term but, in some cases, QR agreements are preferred by foreign respondents and the U.S. government. This provision would provide the flexibility to act accordingly in such cases. Since foreign government subsidies frequently allow nominally "private" foreign companies to continue to dump indefinitely, it makes no sense to allow QR suspension agreements in CVD investigations and to deny them in AD cases. Section 13 would correct this anomaly in U.S. law, and merely provide the same option that already exists for other governments (e.g., the EC, which frequently settles dumping cases on the basis of both QR agreements and price undertakings). While TRAC would like to see this provision amended to require petitioner consent in all QR suspension agreements (as does S.2139), we nevertheless strongly support Section 13 on the grounds of equity and common sense.

Section 14 (the 90-day fast-track review procedure) would add three new criteria for the institution of expedited reviews of antidumping orders, and allow for written comments by interested parties before the decision is made to conduct such a review. By requiring (1) normal AD time lines, (2) evidence of a significant anticipated margin differential and (3) representative sales as the basis for review, Section 14 would ensure that this procedure does not cause further injury to petitioners. While TRAC would prefer the complete elimination of the 90-day review period (since it has been gravely abused by respondents who have used sham sales and exchange rate manipulation to reduce or eliminate final dumping margins), we think that Section 14 - with two changes - would resolve the problem. First, because Section 14 has inadvertently eliminated the opportunity for comment after the Commerce Department decision to permit the posting of a bond and conduct an expedited review, we urge the Committee to restore the existing language which allows for such comment. Second, because Section 14 has provided for release of confidential information under protective order (which involves a generally complicated process and delays), we urge the Committee to mandate the automatic release of such information in cases involving expedited reviews. If these changes are made, TRAC strongly supports Section 14.

Section 15 (steel products trade enforcement) would modify an already existing U.S. law in order to ensure effective monitoring and enforcement of foreign government measures which involve the issuance of steel product export licenses. While TRAC as such takes no position on Section 15 because it is industry-specific legislation, we strongly support generic legislation to clarify that the Commerce Department has the authority to negotiate and enforce AD and CVD settlement agreements involving the withdrawal of petitions and termination of investigations. At present, U.S. AD and CVD laws provide explicit settlement authority only with respect to suspension agreements.

Sections 16-17 (sales for importation, sales for delivery and irrevocable offers) are intended to clarify that likely sales (or irrevocable offers) as well as equivalent-of-sales leasing arrangements are (1) sufficient to proceed with a dumping or subsidy investigation, (2) sufficient to find that goods are being dumped or subsidized and (3) sufficient to find injury or the threat thereof. These provisions are intended to resolve the analytical and procedural uncertainty which existed in the 1982 CVD rail car case involving Budd and Bombardier. In that case, there were offers for sale, lost domestic business, but no actual imports. We agree with the thrust of Sections 16-17, but believe that Section 17 is unnecessary and possibly confusing (since it uses the language "irrevocable offers" and not the "likely sales" language of Section 16). We would urge that Section 17 be deleted. In addition, Section 16 requires a further slight modification. Since Section 16 presently lacks conforming language on likely sales and leases with respect to preliminary and final AD injury findings as well as preliminary CVD injury findings, we urge that this language be added. Moreover, there is also a need for conforming language with respect to the section of current law which outlines requirements for imposition of an AD order. Provided these changes are made, TRAC strongly supports Section 16.

S.2963

TRAC is grateful to Senators William Cohen, John Chafee and John Danforth for introducing S.2963, because it helps to ensure that consideration will be given to the special needs of the small business community in gaining access to trade law remedies.

One founding member of TRAC, the Metalworking Fair Trade Coalition (MFTC), is composed of small metalworking firms having an average of 67 employees per plant, truly the small businesses that S.2963 seeks to assist. MFTC has testified previously on behalf of TRAC in support of small business trade access bills, specifically S.50, introduced earlier in this Congress by Senators Cohen and Mitchell, and S.1672, introduced by Senators Chafee and Mitchell.

TRAC supports the small business provisions of S.2963 as an important first step, but it is important to point out that both S.50 and S.1672 have several additional provisions that would significantly enhance the concept of accessibility to the trade laws. MFTC's testimony before the Subcommittee on International Trade on April 6, 1984 speaks to the need for these additional provisions and will therefore not be repeated in this statement. Clearly, however, TRAC's small business members are most anxious to see the establishment of a Small Business Trade Assistance Office within the Department of Commerce, and this would be provided for in Section 2 of S.2963.

Section 3 (judicial review) would eliminate judicial review of certain trade actions by the U.S. Court of International Trade (CIT) and require a direct appeal to the U.S. Court of Appeals for the Federal Circuit. We believe that the Court of International Trade has developed considerable proficiency with respect to U.S. trade laws in general and the interpretation of the Trade Agreements Act of 1979 in particular. This proficiency should not now be eliminated by giving exclusive appellate jurisdiction to the Court of Appeals for the Federal Circuit.

Section 4 (the elimination of interlocutory appeals) would provide for complete elimination of intermediate appeals in antidumping and countervailing duty proceedings. The chief reason put forth for elimination of interlocutory appeals in trade cases is cost savings, an important goal in trade law reform which we support. However, we believe petitioners should have the right to determine whether to incur the additional cost of an intermediate appeal to protect themselves from futher injury. Moreover, in view of the availability of interlocutory appeals in other legal proceedings, there is no sound basis for denying parties in international trade actions similar rights. We see value to intermediate review of decisions made during the investigatory process. Such review has been particularly helpful in effectively implementing the intent of Congress regarding the 1979 Act. Should the Committee nevertheless decide to limit interlocutory appeals, we strongly recommend that they not be entirely eliminated and that consideration be given to allowing exceptions at the discretion of the court. TRAC would recommend a compromise whereby, similar to other federal litigation, interlocutory appeals would be permitted on close questions of controlling law or fact if such appeals would advance the completion of the investigation. In addition, we strongly urge that the Committee remove what the House Ways and Means Trade Subcommittee Chairman recently recognized as an unfortunate technical oversight in the identical provision in H.R.4784: the inclusion of language (in the paragraph entitled "Exception") that appears to legitimize AD/CVD margin analysis by the ITC in its injury findings -- something we have stressed would be injurious and which the ITC General Counsel has called an unnecessarily complicating factor.

Section 5 (interested parties) mirrors Section 8 of S.2952 (see comments on page 5). TRAC supports both this section, which broadens access, as well as Section 6 of S.2963, which would require only one hearing when antidumping and countervailing duty investigations are initiated simultaneously. Present law requires the ITC to hold separate hearings for such simultaneous investigations. Section 6 would thus reduce costs as well as streamline and expedite some antidumping and countervailing duty proceedings. However, we recommend that the Committee require the consent of the petitioner and ensure that additional written comments be allowed (i.e., not just those the ITC considers relevant) when a separate hearing is waived.

Section 7 (release of confidential information) would broaden accessibility to confidential information for which there are presently no standard procedures. We support Section 7's provision for release of confidential information to the Customs Service in fraud investigations, an apparent oversight in the Trade Agreements Act of 1979. We also support the creation of a mandatory, more structured procedure for release of confidential information through the use of summaries and clarifying statements accompanying release under administrative protective orders. At the same time, TRAC would urge the Committee to insert a time line into Section 7 requiring the release of all such confidential information within 10 working days.

Section 8 (the antidumping adjustment study) calls for private sector recommendations within one year regarding appropriate modifications of present AD margin adjustment practices. We support this provision and urge the Committee to study our own specific recommendations, which are included in Sections 129-133 of S.2139 (cited in the attachment).

Section 9 (sampling and averaging) would expand those instances in which the Department of Commerce may use sampling and averaging techniques. In addition, it would clarify that only the Commerce Department may select samples, and provides that samples and averages will be based on representative sales. We support the proposal which gives the Department the exclusive authority to select representative samples and averages, since this would help preclude the possibility of unrepresentative samples being used to determine foreign market value. However, we have concerns about the extension of sampling and averaging authority in the context of annual reviews and in determining U.S. price, since such an extension could undermine the concept of entry-by-entry determinations of actual dumping margins (and thereby remove a central deterrent factor for U.S. importers facing application of the AD law).

Finally, Sections 10 through 25 contain a series of "technical amendments" to the AD/CVD laws. These are designed, for the most part, to streamline and expedite procedures in trade cases. The hoped-for-goal of these sections is to provide easier access to trade law remedies, especially for those small businesses that at present find such access both prohibitively expensive and excessively time-consuming.

In general, TRAC supports these technical amendments, but there are some areas of concern which should be addressed. These include the following.

Section 14 (waiver of deposit/the 90-day review) would require that merchandise be actually sold in the U.S. in order to be considered for purposes of expedited 90-day reviews of antidumping orders. While this might be useful, TRAC believes there are other more serious problems with the 90-day review period, given past experience and the potential for abuse. For example, in several recent carbon steel cases, 90-day reviews resulted in AD margins being eliminated based on single sales during the period between preliminary and final determinations. As stated earlier on page 9, we would prefer to see this procedure completely eliminated. However, if the Committee chooses to retain this provision in AD law, we strongly urge that it be amended to include the additional criteria suggested in Section 14 of S.2952 (with our proposed modifications).

Section 18 (definition of related parties) would change the definition of what is or is not an "arms length" relationship between "related parties", by raising the level of permitted equity ownership from 5 to 20 percent in certain instances. TRAC supports retention of the 5 percent level as the appropriate level of equity ownership in defining an interest between related parties. We therefore oppose this section.

Section 21 (foreign market value) seeks, among other things, to clarify the criteria for determining viability of the home market. One of its provisions would require that sales in the home market be proportionate to sales to the United States in order for the home market price to be used to determine fair value. This could be disadvantageous to domestic industries, especially in those cases where foreign plants are built in relatively small countries with output far beyond requirements of local demand. Often in such instances, the United States is the primary sales target, and the amounts of the product sold in the home market constitute only a small portion of total production. Typically, relatively high prices are used in the protected home market, but the product is sold both in the United States and in third countries at lower prices. If Section 21 is adopted, the normally higher home market prices could not be used in these circumstances, and instead low-priced sales to third countries would be the basis for fair value. In view of this potential adverse impact, TRAC believes this provision should be deleted and studied further.

TRAC is generally supportive of most provisions of S.2963 -- both for the benefits they provide to small businesses and because they serve as a complementary first step in the ongoing process of trade law reform. However, in order to ensure the reform character of S.2963, we urge that the Committee correct the problems cited above.

MAJOR INDUSTRIES REPRESENTED IN TRAC

(1983 Data)

Industry	Value of Shipments (billion $)	Employment	No. of States
Automotive Parts (Aftermarket)	8.0	57,000	50
Chemicals1/	N/A	N/A	50
Coal	15.0	130,000	25
Color TVs*	4.5	18,000	18[E]
Fiber/Textiles/Apparel	116.7	2,373,000	50
Footwear, Nonrubber	4.4	133,000	41
Furniture	10.0	225,000	40
Leather Products2/	2.0[E]	58,300	40[E]
Metalworking	96.3	2,002,000	43
Nonferrous Metals3/	.9	4,000	16
Steel Production4/	52.94/	384,0004/	394/
Steel Distribution*	22.0[E]	120,000	49
Total:	332.7	5,504,300	50

* 1982 data.

N/A Not applicable.

[E] Estimate

1/ Synthetic organic chemicals.
2/ Handbags, luggage, personal leather goods, leather apparel, certain work gloves.
3/ Lead and zinc.
4/ Based on a survey of American Iron and Steel Institute (AISI) companies providing financial data to the AISI; the figures represent total steel and non-steel sales and employment.

MEMBERS OF

THE TRADE REFORM ACTION COALITION (TRAC)

An alliance of U.S. companies, trade associations, unions and workers in the automative parts, chemicals, coal, color televisions, fiber/textile/apparel, footwear, furniture, leather goods, metalworking, nonferrous metals, and steel industries.

American Fiber, Textile, Apparel Coalition (AFTAC)

AFTAC is a coalition of 18 trade associations and two labor unions representing the fiber/textile/apparel complex of the United States. It evolved for the purpose of representing these industries in issues of international trade.

The coalition is representative of an industry with facilities in 50 states, with employment totaling 2.4 million and sales accounting for $105 billion.

AFTAC members:

- Amalgamated Clothing & Textile Workers Union
- American Apparel Manufacturers Association
- American Textile Manufacturers Institute
- American Yarn Spinners Association
- Carpet & Rug Institute
- Clothing Manufacturers Association of America
- International Ladies' Garment Workers' Union
- Knitted Textile Association
- Luggage & Leather Goods Manufacturers of America
- Man-Made Fiber Producers Association, Inc.
- National Association of Hosiery Manufacturers
- National Association of Uniform Manufacturers
- National Cotton Council of America
- National Knitwear Manufacturers Association
- National Knitwear & Sportswear Association
- National Wool Growers Association
- Neckwear Association of America
- Northern Textile Association
- Textile Distributors Association, Inc.
- Work Glove Manufacturers Association

American Furniture Manufacturers Assocation (AFMA)

The American Furniture Manufacturers Association (AFMA) is the largest furniture industry trade association in the United States.

The Association is representative of home offices and facilities in 40 states, with employment over 225,000 and a total sales of $10 billion.

American Iron and Steel Institute (AISI)

AISI is the principal trade association representing the United States steel industry. Its 57 domestic member companies produce 86 percent of the raw steel in the United States at facilities in 39 states.

In 1983, with respect to member companies providing financial data, total sales were $52.9 billion and employment was 384,000.

Automotive Service Industry Association (ASIA)

ASA represents the automative aftermarket parts industry, including wholesalers/distributors and manufacturers. Member companies total over 8,500 and represent 50 states.

Total sales for 1983 wholesale and distribution were about $8 billion and employment was 57,000.

Group of 33 (Ad Hoc Labor Industry Trade Coalition)

The Group of 33 is an ad hoc labor-industry trade coalition formed in 1978 to advocate changes in import trade remedy laws, with particular focus on the Multilateral Trade Negotiations, subsidies code and 1979 Trade Agreement Act.

The 28 industry trade associations and five labor unions that make up the Group of 33 represent a wide diversity of industries which include footwear, leather products, chemicals, lead and zinc, textile machinery, industrial equipment, various textile and apparel products, and agricultural products.

Group of 33 members:

- Amalgamated Clothing & Textile Workers Union, AFL-CIO
- American Apparel Manufacturers Association
- American Brush Manufacturers Association
- American Federation of Fishermen
- American Mushroom Institute
- American Pipe Fittings Association
- American Textile Machinery Association
- American Textile Manufacturers Institute
- American Yarn Spinners Association
- Association of Synthetic Yarn Manufacturers
- Bicycle Manufacturers Association of America, Inc.
- Cast Iron Soil Pipe Institute
- Clothing Manufacturers Association
- Copper and Brass Fabricators Council, Inc.
- Footwear Industries of America, Inc.
- International Ladies' Garment Workers' Union, AFL-CIO
- International Leather Goods, Plastics & Novelty Workers Union, AFL-CIO
- Lead-Zinc Producers Committee
- Luggage & Leather Goods Manufacturers of America, Inc.
- Man-Made Fiber Producers Association
- National Association of Chain Manufacturers
- National Association of Hosiery Manufacturers
- National Cotton Council
- National Knitwear & Sportswear Association
- National Knitwear Manufacturers Association
- Northern Textile Association
- Scale Manufacturers Association, Inc.
- Synthetic Organic Chemical Manufacturers Association
- Textile Distributors Association
- United Food and Commercial Workers International Union, AFL-CIO
- Valve Manufacturers Association
- Work Glove Manufacturers Association

Metalworking Fair Trade Coalition (MFTC)

The MFTC is a coalition of 36 trade associations representing the U.S. metal parts industries that joined together in 1982 to seek government cooperation and action to assure fair trade between the United States and its world trading partners.

MFTC members have operations in 43 states with employment totaling 2.02 million and sales of $96.3 billion.

MFTC members:

- Alliance of Metalworking Industries
- American Chain Association
- American Cutlery Manufacturers Association
- American Die Casting Institute
- American Gear Manufacturers Association
- American Institute of Steel Construction, Inc.
- American Pipe Fittings Association
- American Metal Stamping Association (Washer Div.)
- American Wire Producers Association
- Anti-Friction Bearing Manufacturers Association
- Association of Die Shops International
- Brass and Bronze Ingot Institute
- Cast Metals Federation
- Cutting Tool Manufacturers Association
- Expanded Metal Manufacturers Association
- Forging Industry Association
- Hand Tools Institute
- Industrial Fasteners Institute
- Industrial Perforators Association, Inc.
- Investment Casting Institute
- Iron Castings Society
- Metal Cutting Tool Institute
- Metal Treating Institute
- National Association of Pattern Manufacturers
- National Screw Machine Products Association
- National Tooling and Machining Association
- National Foundry Association
- National Association of Chain Manufacturers
- Non-Ferrous Founders' Society
- Plumbing Manufacturers Institute
- Steel Founders' Society
- Steel Plate Fabricators Association Inc.
- Tool & Die Institute
- U. S. Fastener Manufacturing Group
- Valve Manufacturers Association
- Welded Steel Tube Institute

National Coal Association (NCA)

The NCA represents 150 companies in the coal industry. Its principle companies represent the nations coal producer and a small number of coal transporters and coal industry suppliers.

The association represents an industry with facilities in 25 states with total employment of 130,000 and total sales of $12-$15 billion.

Steel Service Center Institute (SSCI)

SSCI is a trade association representing almost 500 North American companies in the steel industry, with 900 service centers in industrial areas. Service centers are divided into three types: industrial steel service centers, merchant products distributors and oil country jobbers. Approximately 124 steel producers are associate members.

With total sales of $20-22 billion, SSCI members employ 120,000 people in 49 states.

S. 2139

COMPREHENSIVE TRADE LAW REFORM ACT OF 1983

Section-by-Section Analysis

TITLE I: Countervailing and Antidumping Duties

Section 101:

The language in this section specifies that any reference in the bill made to amendments or repeals with respectto a section, a subsection, or a provision, is a reference to the Tariff Act of 1930, unless noted otherwise.

Section 102:

Amends the AD/CVD laws by requiring that the suspension of liquidation begin on the date of the preliminary ITC injury determination, as published in the Federal Register. This provision would prevent importers from bringing in as much of a product as possible before a preliminary DOC determination, which under present law triggers a suspension of liquidation. The early suspension of liquidation prevents increased injury to domestic producers during the 6-8 month period prior to the preliminary DOC determination.

Section 103:

Amends section 776 (b) of the Tariff Act of 1930 by requiring that the evidentiary burden in a trade case rests with the party that possesses the information necessary to prove or disprove the allegation at issue. The provision would simplify procedures and reduce costs and data requirements for domestic petitioners in the prosecution of trade cases.

Section 104:

Under this portion of H.R. 4124, a "Small Business International Trade Advocate" office would be established. The section would require the Secretary of Commerce to establish this office as an active liaison within the DOC for the purpose of assisting small businesses in the preparation of, and participation in, proceedings related to the administration of U.S. trade laws. This section also authorizes that funds be appropriated to carry out these provisions.

Section 105:

In amending the Antidumping and Countervailing Duty statutes, Section 105 would provide for more liberal release of proprietary information, specifically under administrative protective orders (APO's). The provision would (1) grant to any party to a proceeding the presumption of a "need to know"; (2) eliminate the disparate treatment of in-house counsel; (3) treat requests as continuing; (4) require release of information within 10 working days; and (5) provide for possible release of information to persons other than counsel(under protective measures). This section would also allow petitioners the right to ask for and review information necessary to check the accuracy of DOC figures used to calculate AD/CVD margins.

Section 106:

Amends Section 771(7) (E) of the Tariff Act of 1930 by requiring mandatory consideration by the ITC of the cumulative impact of imports for the purpose of determining material injury in AD/CVD investigations when imports compete with each other and with like products of the domestic industry.

Section 107:

Amends the AD/CVD laws to clarify that the absence of any (or substantial) imports is not a basis for determining that an industry is not being threatened with material injury.

Section 108:

This section clarifies the "threat of injury" concept in the following ways: (1) by clarifying that the targeting of an industry for export growth by a foreign government should be a factor in determining threat of injury; (2) by specifying that the ITC must consider long term data, the most current data (ie. monthly or quarterly) and medium term annualized data in determining threat of injury; and (3) by clarifying that a substantial inventory build-up of imported products and/or a substantial build-up of foreign capacity are relevant factors to be considered by the ITC in determining the threat of injury.

Section 109:

Amends the law to clarify that sales or offers for sale rather than imports are a sufficient basis for investigation of AD/CVD cases.

Section 110:

In seeking to reduce costs and time factors involved in the prosecution of trade cases, this section amends the preliminary injury provisions to eliminate the need for a public conference and submission of written comments in situations where the evidence contained in the petition and questionnaire responses provide the ITC with a reasonable indication of material injury. This section would significantly reduce costs to all parties in the preliminary injury phase of AD and CVD proceedings.

Section 111:

Amends the law to require consent of the petitioners before the DOC may extend the time period for preliminary AD/CVD determinations, by determining that the case is "extraordinarily complicated."

Section 112:

This section amends 19 U.S.C. 1617 to clarify that the DOC has no authority (under the Trade Act of 1930, Section 617) to settle the outstanding duties owed on AD/CVD cases on a reduced basis. The provision would clarify the law to exclude from the general compromise provision of U.S. law, the compromise of AD and CVD duties.

Section 113:

Amends section 104 (b)(2) of the Trade Agreeements Act of 1979 by prohibiting the ITC from relying on the imposition of an offsetting export tax for the purpose of revoking a

Countervailing Duty order where an injury investigation is requested subsequent to a country being designated a "country under the Agreement".

Section 104(b)(4)(B) is also amended to require than any revocation under section 104(b) be based upon clear and convincing evidence presented by the party seeking revocation.

Section 114:

Amends section 751(b)(2) of the Trade Agreements Act of 1979 by precluding the ITC and the DOC from considering revocation of a Countervailing Duty or Antidumping order or termination of a suspended investigation for five years. In addition, firms not originally involved in such cases because they had not shipped merchandise to the U.S. market at the time of the original investigation are required to establish a pattern of positive market experience in the United States as a prerequisite to exclusion from an order or a suspended investigation. The provision therefore precludes reviews of such companies within five years from the date of publication of the final determination or suspension of investigation.
Subsection (c) of section 751 is amended to require that revocations of a Countervailing Duty or Antidumping order or termination of a suspended investigation be based upon clear and convincing evidence presented by the party seeking revocation or termination. Further, the administering authority must make a finding that it is substantially unlikely that subsidized sales or sales at less than fair value will be resumed and the Commission must make a negative determination on the question of injury.

Section 114 also prohibits the administering authority from revoking a Countervailing Duty order or terminating a suspended investigation on the basis of an offsetting export tax.

Finally, Section 114 adds a new subsection (f) to section 751 which requires foreign manufacturers, producers, or exporters to give assurances that they will not receive subsidies or make sales at less than fair value as a pre-condition for revocation of a Countervailing Duty or Antidumping order or termination of a suspended investigation. If the assurances are violated, the merchandise of the foreign manufacturer, producer or exporter in question will be excluded from the U.S. market for a period of one year.

Section 115:

In this section, the statutory provisions regarding suspension agreements are amended to allow only petitioners in AD/CVD cases to request a continuation of investigation following DOC acceptance of a suspension agreement.

Section 116:

Broadens and clarifies the definitions regarding who is entitled to initiate and participate in AD & CVD proceedings. Specifically, this section broadens the definition of "interested party" to include ad hoc labor/industry coalitions which have been formed specifically to enforce the rights of producers and workers under trade laws. This provision further defines "interested party" to permit participation in AD & CVD proceedings by those associated with the production of major parts and components to be incorporated into the imported article.

Section 117:

Amends the AD/CVD statutes to provide for the reimbursement of costs, including legal expenses, to successful petitioners, out of the revenues generated under the Antidumping and Countervailing Duty laws.

Section 118:

This section amends the judicial review provisions of AD & CVD statutes to eliminate any presumption in favor of agency action in any civil proceeding which challenges such actions.

Section 119:

Amends the AD/CVD laws to allow petitioners who have filed AD & CVD cases for the same products and countries, at approximately the same time, to apply for time line extensions which will align the investigation times for each petition. In this manner, by reducing possible duplication of information, the section would reduce the costs of these cases for all parties and the government.

Section 120:

Amends the AD/CVD laws to clarify the definitions of what constitutes a "negative" determination or an "affirmative" determination. This clarifies when interlocutory appeals may be taken.

Section 121:

Amends section 704 (b) to prevent the Commerce Department from suspending a CVD investigation based on a promise by a foreign government to apply an export tax equal to the determined net subsidy (otherwise known as an "offsetting" export tax), thus eliminating the export tax as a basis for suspending a CVD investigation.

Section 122:

Present Countervailing Duty law is amended to eliminate the export tax offset from the offset list, which defines the ways in which the value of net subsidies can be reduced because of offsetting costs to the foreign entity which benefited from the subsidies. The provision further clarifies the exclusivity of the statutory list for offsetting costs used to calculate "net subsidy", so as to prevent the liberal interpretation of the offset list to reduce the amount of subsidies.

Section 123:

Amends the Countervailing Duty statute to broaden the definition of the term "subsidy". This section clarifies that subsidies which are alleged to be made "generally available" may be subject to countervailing duties if they are explicitly or effectively provided to a specific industry or group of industries. The provision would clarify the statutory language by specifying the standards under which such domestic subsidies would be considered under U.S. Countervailing Duty law. (see also Section 126).

Section 124:

Amends section 104(b)(1) of the Trade Agreements Act of 1979, which permits a request for an injury test subsequent to the designation of a country as a "country under the Agreeement," to require that such a request be received prior to the date the Countervailing Duty petition is filed.

This section of the bill also amends section 701 of the Tariff Act of 1930 by requiring that countries "under the Agreement" must commit themselves under the General Agreement on Tariffs and Trade to eliminate export subsidies promptly. For developing countries, "country under the Agreement" status may be conferred if the country agrees to: phase out existing export subsidies within five years; not increase existing export subsidies, extend such subsidies to new merchandise or introduce new export subsidies; and eliminate export subsidies within one year on merchandise which the ITC finds is either produced by an import sensitive U.S. industry or already competitive in the U.S. market and would be competitive without such subsidization.

The President would be required to review compliance with the commitments made by developed and developing countries once a year as well as upon the request of an interested party. If a country has failed to honor any term of the commitments made to warrant "country under the Agreement" status, such designation will be withdrawn. A withdrawal of "country under the Agreement" status after the Commission has made a negative injury determination or after an order has been revoked under section 104 (b) will void the negative determination or revocation.

Section 125:

Amends the Countervailing Duty statute to require a presumption that CVD determinations be made on a country-wide basis, as opposed to a company-specific basis, except in situations where the country-wide basis would be inequitable, as in the case of a state-owned company receiving direct capital infusions not available to private enterprises in the same country.

Section 126:

This section further broadens the definition of "subsidy" so that it includes foreign government programs to "target" a specific industry or group of industries. In addition, it directs the administering authority to calculate the full subsidy benefit of the targeting program which accrues either directly or indirectly.

Section 127:

"Downstream Dumping" is defined as "imports of a product which is produced with materials purchased at subsidized, preferential, or below-cost prices". This section would amend present law by closing the loophole that allows foreign producers of raw materials to circumvent U.S. trade laws by selling to exporters in that country(or third countries) at preferential or below cost rates, resulting in the export of end products to the U.S. with an unfair cost advantage. The definition of constructed value would be changed to include the full value of costs, rather than the purchase price paid by the importer.

Section 128:

Amends the Antidumping law to allow the DOC to suspend an Antidumping investigation based on quantitative restriction agreements with foreign governments and provides necessary enforcement authority for such agreements. Currently, the DOC may suspend only CVD investigations in this manner.

Subsection (b) further amends both the AD/CVD statutes to require that the consent of the petitioners be obtained before the administering authority enters into a suspension agreement.

Section 129:

Amends the present definition of foreign market value, by specifying that indirect and general expenses are not to be eligible as adjustments to the price used as the basis of foreign market value.

Section 130:

Amends section 772 (d)(2) of the Antidumping statute to alter the method of adjustment for selling expenses. To properly account for potentially larger price adjustments in the U.S. market than in the foreign market, it would require the deduction from prices in each market of the expenses experienced in those respective markets.

Section 131:

Amends the Antidumping statute to require use of average home or referent prices, rather than use of "predominant" or "most contemporaneous" prices to establish foreign market value in assessment phase proceedings. In addition, it would preclude the parties under investigation from selecting items to be sampled or averaged. Only the Commerce Department may select items to be sampled or averaged.

Amends the cost of production provision to exclude language that allows the recovery of costs within a reasonable period of time. Also would require an inquiry into trading house costs in certain circumstances.

Prohibits the use of any transaction between parties with any level of equity ownership above 5 percent for the purpose of establishing fair value.

Section 132 & 133:

These sections amend the Antidumping statute for special application of the trading house principle. It would require adjustments in selling expenses to reflect the actual selling expenses incurred by purchasers who do business with the same seller in the home (or third country) and U.S. markets.

Section 134:

Amends Antidumping statute by eliminating the discretionary 90 day review period.

Section 135:

Amends the Antidumping and Countervailing Duty statutes to provide enforcement authority to the Secretary of Commerce and Secretary of Treasury for negotiated settlements based on the withdrawal of petitions.

TITLE II: Escape Clause (Section 201 of the 1974 Trade Act)

Section 201:

Amends the law in the following ways:

- Imports will need to be a "cause" rather than a "substantial cause" of serious injury. This puts the U.S. "escape clause" injury causation standard in conformity with the General Agreement on Tariffs and Trade (GATT). Currently, the U.S. maintains a higher threshold than is required by GATT.
- Producers of materials, parts, components, and subassemblies are given standing as an entity to file a petition under the "escape clause' procedure so long as such articles are irrevocably destined for inclusion in a finished product. The Commission is required to look at increased imports of such articles in its investigation so long as such articles constitute at least 10% of the total value of such materials incorporated in the article under investigation.
- Any agency administering the different trade statutes is required to initiate an action under such statutes if the ITC discovers unfair trade practices during an "escape clause" investigation.
- An affirmative finding of serious injury from imports by the ITC during an "escape clause" investigation shall be considered to be an affirmative finding of material injury under other trade statutes if the ITC's determination has been made not more than 12 months prior to the date a petition is filed under other trade statutes.
- The ITC will no longer be authorized to find that adjustment assistance can effectively remedy the injury from imports.
- If the ITC finds negatively with regard to injury, a petitioner will be permitted to refile in six months instead of one year as in the present statute.
- A procedure is established to deal with import surges by permitting the suspension of liquidation of entries by Customs under certain circumstances while an "escape clause" investigation is proceeding. If the ITC subsequently makes an affirmative determination of injury from imports under the "escape clause" procedure, the articles subject to the suspension of liquidation shall be subject to increased duties.

Section 202:

Adjustment assistance is removed as one of the remedies the President can provide instead of import relief through tariffs, quotas, tariff rate quotas, or a combination thereof.

Section 203:

Amends the law as follows:

- If the President decides to provide no import relief or a form of import relief different than that recommended by the ITC, or to negotiate one or more orderly marketing agreements, he must secure the approval of Congress through an expedited "fast-track" procedure similar to section 151 of the Trade Act of 1974. If Congress does not vote affirmatively, the President shall put the ITC's recommended import relief into effect.

- If import relief is in the form of increased duties, there shall be a periodic review of fluctuations in currency conversion rates and adjustments shall be made in the duty rates if necessary to maintain the same amount of imports relief that has been put into effect.

- The President is authorized to negotiate multilateral as well as bilateral orderly marketing agreements.

- The ITC is given authority to review any orderly marketing agreements that may be negotiated to determine if they provide at least the same degree of import relief as they had recommended in their original determination. If the ITC finds in the negative or is evenly divided, the President shall put into effect the import relief originally recommended by the ITC.

- Import relief shall be for at least five years and not exceed ten years. No phasing down of the import relief can begin until after three years. No extension of import relief is permitted. No import relief can be reduced or terminated until at least five years after the effective date of the import relief.

- The time period which must elapse after the termination of import relief before a new investigation can be initiated is reduced from two years to one year.

TITLE III: Enforcement of United States Rights (Section 301 of 1974 Trade Act)

Section 301:

Amends the law as follows:

- In order to make cases filed under section 301 subject to more administrative regularity, investigations will be initiated upon information presented to the administering authority, rather than to the President.

- The President's authority to initiate a proceeding under section 301 is eliminated. Investigations under this section will be initiated on the basis of information available to the administering authority or as a result of a petition filed under section 302.

- A special provision is added which deems actionable any practice by a foreign government or instrumentality which denies fair and equitable market opportunities to the goods or services of the United States or denies to the Unites States business fair and equitable opportunities for the establishment of an enterprise.

- Another special provision is added to expressly permit use of section 301 to address foreign industrial targeting, defined as any effort by a foreign government or instrumentality to promote the growth of a specific sector of the economy through a combination of programs. If the administering authority finds that a foreign government or instrumentality has engaged in foreign industrial targeting which causes or threatens to cause material injury to a U.S. industry or materially retards the establishment of a U.S. industry, the administering authority is required to take action to obtain the elimination of or otherwise respond to the targeting program.

Section 302:

Amends the law to set forth the procedures for filing a petition with the administering authority, including: 20 days for the administering authority to review the sufficiency of a petition; publication of a notice of initiation of investigation in the Federal Register; and an opportunity for the presentation of views, including a public hearing after the preliminary determination if requested by an interested party. The amendments to section 302 thereby shorten the time frame for evaluation of the sufficiency of a petition from 45 to 20; however, they also eliminate the requirement that the U.S. government request consultations with foreign countries on the date the decision is made to initiate the investigation.

Section 303:

Amends the law as follows:

- The administering authority is required to present questionnaires to the foreign governments and enterprises concerned and to verify all information on which it relies in making its final determination.
- If the administering authority does not receive the information requested or cannot sufficiently verify the information received, it may base its decision on the best information available, including allegations contained in the petition.

Section 304:

Amends the law as follows:

- The administering authority must determine no later than five months after the date on which an investigation is initiated whether the final determination is likely to be affirmative.
- If the administering authority issues an affirmative preliminary determination, provisional measures may be taken.

Section 305:

Amends the law as follows:

- Because the 1979 amendments to section 301 did not ensure expeditious treatment of complaints, the revised section 305 requires that the administering authority make a final determination no later than 11 months after the date on which the investigation was initiated.
- If the administering authority issues an affirmative final determination, any action taken must occur within 30 days of that decision.

Section 306:

Amends the law to require that confidential information submitted during a section 301 investigation be available for disclosure under administrative protective order.

Section 307:

Amends the law to read; if the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade disapprove of any action taken by the United States under section 301, the administering authority is given the discretion to modify or terminate the action or proffer compensation.

Section 308:

Amends the law to clarify the definition of the term "administering authority" as the United States Trade Representative or any other officer of the United States to whom the responsibility for carrying out the duties of the administering authority under section 301 are transferred by law.

Section 309:

Amends the law to require that the administering authority collect data on various unfair trade practices, and to require that the administering authority report quarterly to the Congress on the information collected and to publish a summary of its report in the Federal Register.

Section 310-311:

Conforming amendments are made to substitute the term "administering authority" for the term "Special Representative."

Section 312:

Amends the law as follows:

- Judicial review of the administering authority's determination is granted.
- The court is required to hold unlawful any determination found to be unsupported by substantial evidence on the record or otherwise not in accordance with law.

TITLE IV: Private Remedies

Section 401:

This section substantially amends 15 U.S.C. 72 by eliminating the criminal penalties and treble damage provisions contained in the present law and replacing them with provisions allowing any person who is injured in his business or property by reason of dumped imports to bring a civil action to recover actual damages against the foreign manufacturer or exporter of the merchandise or any related party importer in the Federal district courts. The relevant definitions of dumping and material injury track those contained in the Trade Agreements Act of 1979, except that the foreign market value of an article is increased by the amount of any subsidy provided to the foreign manufacturer or exporter and not otherwise included in the foreign market value or constructed value of the merchandise. A final DOC or ITC determination on same merchandise from the same country constitutes a prima facie showing of that element and shifts the burden of proof to the defendant.

Subsections (c) and (d) provide subpoena power to the district court and appoint the district directors of the U.S. Customs Service as the lawful agents for service of process for the foreign manufacturer or exporter.

Subsection (e) sets a statute of limitations of four years but suspends the statute during the pendency of administrative proceedings, or related appeals, under the Trade Agreements Act of 1979 relating to the same imports.

Subsection (f) provides that if a foreign manufacturer or exporter fails to comply with a discovery order under this section the court may enjoin the further importation or distribution by the non-complying defendant of the same or similar merchandise until it complies.

Subsection (g) maintains the confidential or privileged status of documents or information unless the court orders disclosure under a protective order or otherwise.

Subsection (h) would require that any suit filed under this section be expedited in every way possible.

Subsection (i) contains the definitional provisions described above and subsection (j) expresses the sense of the Congress that this section is consistent with United States obligations under the GATT.

TITLE V: Miscellaneous

Section 501:

This provision makes the effective date of H.R. 4124 the date of enactment. However, the amendment to section 104 (b) (1) of the Trade Agreements Act of 1979 contained in section 124(a) of this bill will be applicable to any request for an injury test under that section which is pending on the date of enactment.

THE
VALVE MANUFACTURERS
ASSOCIATION

September 5, 1984

The Honorable John C. Danforth
Chairman
Senate Finance Subcommittee
on International Trade
United States Senate
Washington, D.C. 20510

Re: Pending Legislation for Trade Law Reform (S. 2952, S. 2845, and S. 2963)

Dear Senator Danforth:

The Valve Manufacturers Association ("VMA") is pleased to respond to the Senate Finance Subcommittee on International Trade's request for views on the trade law reform bills cited above. The VMA has, since its formation in 1938, worked to promote the use of American-made flow control equipment throughout the world. Today, with over seventy United States companies under its umbrella, the VMA's membership accounts for the preponderance of domestic production of the different types of valves which are so essential to a variety of fundamental industries in the United States, including the oil and gas, power generation, chemical and iron and steel industries.

The VMA wants to voice, on behalf of its members, support for these trade law reform bills as a whole with certain qualifications and with the suggestion that further measures ought to be included. Having only recently been denied relief under the antidumping duty law for want of an affirmative injury determination against certain steel valves, despite their having been found by the Commerce Department to be dumped from Japan, the VMA is convinced there is need for stronger trade laws.

1050 Seventeenth Street, N.W., Suite 701
Washington, D.C. 20036
Phone (202) 331-8105

1. S. 2952. -- The VMA wholeheartedly endorses this bill introduced by Senator Heinz. The bill notably toughens United States law against the unfair pricing practices of dumping and subsidization in a number of ways. Particularly helpful are the expanded definition and clarification in section 10 of what is a countervailable subsidy and the explicit inclusion of upstream subsidies in that definition. Other provisions calling for important amendments are section 12, which requires that when calculating constructed value the Commerce Department is to reflect the full costs of preferentially priced or subsidized inputs into the finished exports, and section 4, which spells out in greater detail than before some of the relevant economic factors which the International Trade Commission shall weigh with respect to the threat of material injury from dumped or subsidized imports. These and the remaining sections of Senator Heinz's bill are, in the VMA's judgement, worthy of favorable consideration and passage into law.

2. S. 2963. -- In certain regards this bill by Senator Cohen complements and bolsters S. 2952. To this extent, the VMA urges that S. 2963 also be enacted. The concern exhibited by S. 2963 for small businesses in the United States and for their ability to receive the protection of this nation's trade laws is well-founded. The bill makes considerable progress in this direction by setting up in section 2 a Small Business Trade Assistance Office. In like vein S. 2963 is to be applauded for its section 8 in which the Secretary of Commerce is directed to conduct a study and issue a report within a year on adjustments in dumping proceedings to United States price and foreign market value. A great deal of controversy and complexity exist with these adjustments, and congressional involvement in this area should occur.

While there are positive aspects of S. 2963, the VMA opposes various other provisions of the bill. Section 3 narrows considerably the availability of appeal to the Court of International Trade. Section 4 would eliminate interlocutory appeals. In the VMA's view, whatever might be gained from these amendments in time and cost savings would be tremendously overshadowed by the loss of the lower court's growing knowledge and experience in the trade law field and in the valuable flexibility for domestic producers of having the option to bring interlocutory appeals. Additionally, section 4(d) of the bill should be reworded so as not to appear, as it does presently, to endorse so-called margin analysis.

Similarly, section 9 allows the Commerce Department virtually unchecked discretion to use averaging and sampling techniques when figuring both United States price and foreign market value in dumping proceedings. Moreover, averaging and sampling are permitted not only in original investigations but during assessment reviews as well. These practices unnecessarily weaken the law. With all but the most blatant and extensive dumping, sampling would run the risk of almost certainly causing individual dumped shipments to elude penalty. In addition, averaging would clearly alter the specific dumping duty owed on a particular shipment. The notion of sampling of United States sales is furthermore irreconcilable with the command of section 751 of the 1930 Tariff Act (19 U.S.C. § 1675) that annual reviews be conducted on an entry-by-entry basis.

Moreover, section 18 of S. 2963 inexplicably and unjustifiably would find foreign parties and their United States importers to be related only after a 20 percent equity interest was present. This change is best struck.

It would invite and tempt parties with lesser but still meaningful corporate bonds to manipulate upward the import price reported to customs officials in order to avoid antidumping duties.

Finally, section 21 includes language which would modify the criteria for using home market sales by requiring that such sales be proportionate to sales shipped to the United States. The VMA opposes this provision because it believes that foreign producers will be able to avoid valid affirmative dumping findings if this procedure is implemented.

3. S. 2845. -- Alone of these three bills, S. 2845 addresses the "escape clause" law. The VMA stongly endorses this bill as introduced by Senator Danforth. It properly and sensibly charges the International Trade Commission not to consider factors which are the President's responsibility to evaluate. At the same time, the bill correctly directs the Commission to take into account increased imports by domestic producers as an indication of serious injury and threat thereof, not as a sign of a positive effort to compete. The provisions on profits and the concept of "significant idling of productive facilities" are also sound. As the bill recognizes in an economically realistic fashion, a significant number of firms in an industry can be reasonably profitable or profits can be steady or even increasing, and that industry can still be experiencing serious injury or threat of serious injury substantially because of increased imports. Moreover, it makes little sense to do as the Commission has recently done and assess injury by looking only at the status of presently operating plants. This bill remedies that fault by instructing the Commission to evaluate the closing, underutilitization, and production declines of plants in earlier years as well.

4. Conclusion. -- While these three bills serve for the most part to enhance the trade laws, there are other measures which could be added from the Comprehensive Trade Law Reform Act of 1983 (S. 2139) which the VMA believes would be extremely worthwhile. In particular, the VMA commends sections 105, 110, 114, 121, and 124 of that act as deserving of approval. Section 105 calls for the speedier and more liberal release under administrative protective order of proprietary information than is presently possible in antidumping and countervailing duty proceeedings. Section 110 envisions less costly preliminary injury determinations by the International Trade Commission when evidence in a dumping or countervailing duty petition and the domestic industry's questionnaire responses obviate a public conference and written comments. Sections 114 and 121 provide much-needed clarification as to when and under what circumstances an antidumping or a countervailing duty order can be revoked (or investigations terminated) and spell out the consequences if the revocation's conditions are not honored by the foreign interests concerned. Lastly, section 124 principally sets down strict commitments to end export subsidies which a country must make in order to be deemed a country under the GATT subsidies agreement and entitled to an injury determination in a countervailing duty case by virute of that status. Section 124 also provides for a regular monitoring of whether the commitments are being upheld and for retraction of the status as a country under the agreement and voidance of any negative injury determinations and revocations in countervailing duty cases if the commitments are violated.

The Valve Manufacturers Association is encouraged by the activity now underway to make United States trade laws more responsive and effective. The valve producers in this country are willing and able to compete on fair terms with imports, but are severely disadvantaged when confronted by unfair trade which our nation's trade laws cannot counteract. As discussed above, it is the VMA's conviction that many of the amendments contained in S. 2952, S. 2963, and S. 2845 work to correct shortcomings in the trade laws and that other amendments should be included in reform legislation. The VMA appreciates this opportunity to be heard.

Sincerely,

MALCOLM E. O'HAGAN
President
The Valve Manufacturers Association

○